FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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Mastering Information Management

The FT's 12-part series on the I in IT continues today.
Part Ten: Innovation and the learning organisation

WORLD NEWS

Dutch stage set for trial of Lockerbie bombing suspects

Two Scottish prosecutors arrived in the Netherlands yesterday amid signs that Tripoli was about to send two Libyans accused of planting the 1988 bomb which destroyed a Pan Am airliner. Scottish police are already at Camp Zeist, the disused US military base in the central Netherlands that will host the men's trial under Scottish law. **Page 4**

UK may delay on rights laws
The UK may delay incorporating the European convention on human rights into domestic law because government departments are not ready to cope with its impact. The act gives judges unprecedented powers and will involve them in politically contentious disputes. **Page 6**

Israelis 'back Palestinian demand'
Most Israelis believe Palestinians' drive for an independent state is unstoppable and their demand just, a poll shows. **Page 5**

Chinese dissident heads home
Exiled dissident Wang Xizhe, who wants to mourn his father's recent death, was flying from New York to China despite having no permission to return there, a human rights group said.

FTC to see net privacy study soon
A study of internet sites and how they collect personal information about users will be presented to the Federal Trade Commission soon by researchers from Georgetown University, Washington. **Page 5**

China poised to take on tax cheats
China is poised to launch a campaign against tax evasion. Zhang Wei, director of China's state Bureau of Taxation, said the aim was to help boost tax revenues and aid the government's fiscal stimulus policy. **Page 4**

Anwar's wife launches new party
Wan Azizah Wan Ismail, wife of Anwar Ibrahim, launched a new Malaysian political party, placing the sacked Malaysian finance minister firmly in the opposition camp. **Page 5**

Nigerian court to rule on poll
Nigeria's Court of Appeal is due to rule today on the legal challenge to the presidential election victory of former military ruler Gen Olusegun Obasanjo.

Surinam president sacks Bouterse
Surinam president Jules Wijdenbosch has dismissed former dictator and army chief Desi Bouterse as a government adviser. The cabinet said Mr Bouterse was "hindering social peace".

Kazakhs leave currency to its fate
Kazakhstan is to stop supporting its tenge currency, a Russian news agency said. Interfax reported that the country planned to let the tenge float free against the dollar from today.

Tornado kills trailer dwellers
At least six people died and 100 more injured in Saturday's Louisiana tornado, officials said. Worst hit were trailer homes.

BUSINESS NEWS

Aerospatiale locked into $12bn hedging deals at poor rate

French aerospace group Aerospatiale has been left with more than $12bn of currency market commitments, apparently depriving it of the chance to cash in on the strength of the US dollar, because of an inflexible hedging programme. **Page 13**

LVMH, French luxury goods group, is to present details of an $8bn-plus bid for Gucci to senior executives of the Italian fashion company. **Page 13**

Consob, the Italian stock market regulator, asked Olivetti to clarify two key aspects of its €60.4bn ($65bn) hostile bid for Telecom Italia. **Page 15**

China Unicom, the second state carrier, plans to invest Rmb23.8bn ($2.9bn) in building GSM mobile networks to challenge China Telecom, the dominant state carrier. **Page 13; Indian government answers the call, Page 4**

Cross-border mergers and acquisitions activity reached a record $260bn of announced deals in the first quarter of 1999, exceeding the previous record of $207bn in the second quarter of 1998. **Page 15**

Sumitomo Corporation and Marubeni, Japanese trading houses, warned they will post group net losses for the year rather than the profits that had been forecast. **Page 15**

Oechsle International Advisers, fund manager being investigated in the US over its dealings in British Biotech, has seen the value of its holding in the UK company fall by about £15m ($24.1m) since November. **Page 14**

Marks and Spencer, UK-based retailer involved in corporate restructuring after making a surprise profits warning in January, is to launch a promotion campaign aimed at winning back consumer confidence. **Page 14**

AMP chairman and chief executive Robert Ripp, who took over last year after the US electrical and electronic connector business received a hostile $10bn bid from AlliedSignal, is to leave the company. **Page 15**

Chesterfield Properties, UK property group, has appointed advisers to help it value its entertainment division, which includes eight London theatres, with a view to disposal. **Page 14**

Prudential, the UK's largest insurer, is reviewing its 29.9 per cent stake in St James's Place Capital, the financial services holding company for J Rothschild Assurance. **Page 14**

World Equity Markets

The latest trends and data from more than 50 national markets at a glance

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Nato considering 'escort force' for Kosovo refugees

By Neil Buckley in Brussels, Guy Dinmore in Belgrade and Kevin Done in London

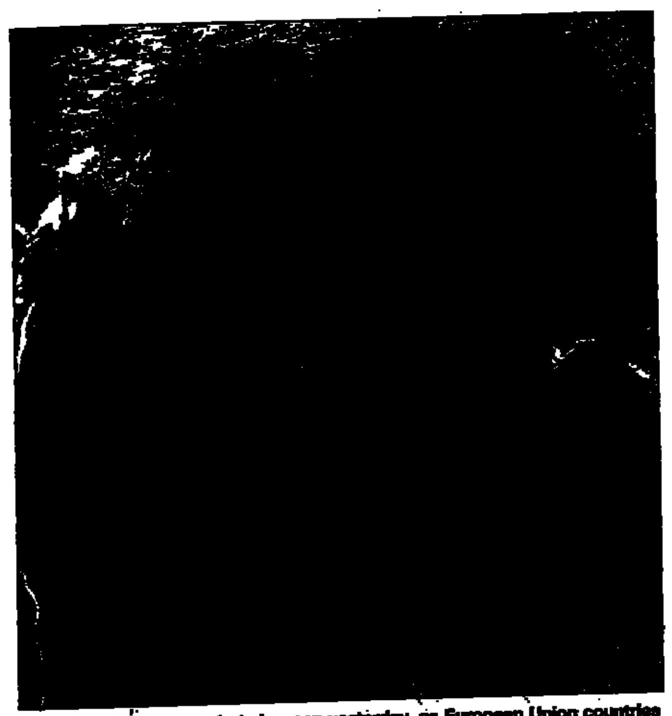
Western diplomats are considering proposals to send a Nato "escort force" of at least 60,000 troops into Kosovo to protect returning refugees, once air strikes have driven Yugoslav forces out of the region.

But western countries were obliged to accept yesterday that in the short term they must open their own doors to refugees from Kosovo, as the flood of people seeking to escape the conflict overwhelms the resources of neighbouring Albania, Macedonia and Montenegro.

The German government said yesterday that European Union countries were considering offering sanctuary to at least 100,000 refugees from Kosovo. EU interior ministers will meet on Wednesday to discuss the details. The German government, which currently holds the EU presidency, was unable to say yesterday when the transport of refugees would start.

However, Emma Bonino, EU Commissioner responsible for humanitarian aid, warned against flying thousands of them to temporary shelters in faraway countries, which played into the hands of Slobodan Milosevic, the federal Yugoslav president.

"We should not co-operate in any way with ethnic cleansing," she said.



A Kosovar refugee comforts her son yesterday, as European Union countries were said to be considering giving sanctuary to at least 100,000 refugees AP

Sadako Ogata, the United Nations high commissioner for refugees, said yesterday that "Kosovo's neighbours are swamped and they are no longer able to cope with the influx. All nations must now help to save lives."

The UNHCR had originally hoped to be able to cater for all the refugees in countries neighbouring Kosovo, but the sheer scale of the problem means this is not an option at the moment.

The agency said more than 360,000 people had left Kosovo since Nato began its bombing campaign against Yugoslavia on March 24.

Both Nato and the refugees themselves say that Yugoslav forces have stepped up the campaign of ethnic cleansing since the bombing campaign started.

Alliance leaders and officials continued yesterday to rule out a ground invasion of Kosovo, or using any ground forces that would have to "fight their way in".

But Nato took a step in this direction with the US announcement that it was deploying Apache helicopter gunships to the Kosovo conflict and sending 2000 soldiers to Albania.

The proposals for an eventual "escort force" to accompany the return of refugees to Kosovo have emerged from informal discussions between members of the six-nation Contact Group, which has been co-ordinating the international community's response to the Yugoslav crisis.

Under the plan, an international security force would go into Kosovo before a formal peace agreement is signed.

The plan has not yet been endorsed by Nato ambassadors in Brussels. But it was alluded to in a statement on Saturday night by Javier Solana, Nato secretary-general.

**Yugoslav general vows to banish Nato, Page 2; Murder drives out a suffering people, Page 3
Time to send in troops, Page 10**

Germany puts block on Basle banking reforms

By George Graham, Banking Editor

Bank regulators have had to delay an overhaul of international bank capital adequacy rules after last-minute objections by Germany.

The Basle committee of banking supervisors was scheduled to publish this Friday its proposals for sweeping reforms to its 1988 capital agreement – the world standard for how much capital banks must maintain as a cushion against loss. But William McDonough, president of the New York Federal Reserve and chairman of the Basle committee, has written to members putting off the publication indefinitely.

The stakes are high. The world's 100 largest banks hold more than $830bn of capital between them, so even small changes can cost billions.

Regulators confirmed the sticking point was Germany's determination to keep favourable treatment for German banks' portfolios of commercial mortgages – the issue that held up agreement on the European capital adequacy directive two years ago.

The Basle rules require banks to hold a capital cushion equivalent to 8 per cent of total assets, with half of this cushion in the form of "Tier 1" capital such as pure equity. Assets are weighted according to risk, with a 100 per cent weighting for most loans, but only 50 per cent for residential mortgages, 20 per cent for short-term interbank credits and zero for most government debt.

These crude categories have led to distortions in the international credit market because loans with a lower capital weighting are cheaper for a bank to hold on its books.

Supervisors have been working on a more refined system. Weightings for corporate loans, however, have provoked disagreements. US officials have argued for loans to companies with an external investment grade rating to be weighted at less than 100 per cent. But German supervisors complained this would put their domestic banks at a competitive disadvantage, because only 175 German companies have external ratings.

SAS plans SKr15bn order from Airbus

By Tim Burt in Stockholm

Scandinavian Airlines System, the three-nation Nordic airline, is likely to place a SKr13bn-SKr15bn ($1.58bn-$1.82bn) order for long-haul aircraft with Airbus, the European consortium.

Jan Stenberg, SAS chief executive, indicated that the airline favoured Airbus ahead of Boeing of the US as the supplier for 12 new aircraft.

In an interview, Mr Stenberg said SAS's fleet of Boeing 767s would probably be replaced by Airbus A330 and A340 jets – the first time the airline had placed an order with the European manufacturer.

"Airbus is ahead with its long-haul combination. It offers more options in terms of size and range."

His comments are the firmest signal yet that SAS – 50 per cent owned by the governments of Sweden, Denmark and Norway – would press ahead with plans for a new long-haul fleet.

The carrier is midway through an overhaul of its short-haul aircraft, replacing its ageing McDonnell-Douglas and Fokker fleet with a SKr12bn order for Boeing 737s.

Mr Stenberg emphasised that a final decision on long-haul aircraft had not been made. "We are going through the calculations on how best to improve profitability on intercontinental routes."

A firm order is likely to be made during the first half of this year.

SAS's preference for Airbus may have been influenced by its increasingly close ties with Lufthansa, the German carrier and its partner in the Star alliance.

Lufthansa and SAS hope to cut costs by sharing procurement and maintenance for parts of their fleet. The German carrier, one of Airbus's largest customers, has already agreed to service the engines for SAS's new Boeing 737s.

Mr Stenberg, a member of Lufthansa's supervisory board, said the relationship would not lead to any sort of cross shareholding. But he confirmed that Star could take a stake in Thai Airways, another member of the alliance.

"Star, through Lufthansa, has an interest in participating in the privatisation of Thai Airways," he said. "But that would be to ensure that Thai stays in Star rather than fall victim to a hostile alliance removing it from the group."

Qantas of Australia and British Airways, both members of the rival One World alliance, have been suggested as possible bidders for the Thai carrier.

Mr Stenberg said Star would also like to see Singapore International Airlines join the group. SIA already has bilateral ties with SAS and Lufthansa.

"It would be odd for SIA to go elsewhere after they have signed these agreements with us," he added.

Auction loans speed Tokyo bank revamp

By Naoko Nakamae and Gillian Tett in Tokyo

Financing Japan's banking reform programme took a big step forward when a government agency borrowed Y6,300bn ($53.1bn) through public auctions.

The Deposit Insurance Corporation, the government body responsible for the financing, has borrowed money at below the market rate through four auctions of loans between six and 11 months. The remaining funds will come from the Bank of Japan as Y1,163bn bridging loans with a six-month maturity.

The success of the DIC auctions has defused a potentially bitter dispute about how to fund Japan's banking reform. Last month, 14 large banks successfully applied for a total of Y7,450bn of public funds to boost their capital bases.

The Bank of Japan insisted recently it did not wish to pay for the capital injection because it is increasingly reluctant to hold illiquid or risky assets on its balance sheet. Consequently, it has argued that the DIC should raise funds in the markets.

However, the Ministry of Finance did not want the DIC to raise the necessary finance through bond issues, fearing that would cause overcrowding in the bond markets. Preliminary studies by the DIC earlier this spring initially suggested that persuading investors to participate in a loan auction could prove difficult.

The Bank of Japan took steps in recent days to persuade foreign investors to participate, particularly by emphasising the fact that the loans would carry a government guarantee. In the event, the DIC auctions attracted considerable foreign interest. "There was a good amount of participation by foreign entities," said Keiji Matsuda, deputy governor at the DIC. "We are pleased that they were [such] good auctions."

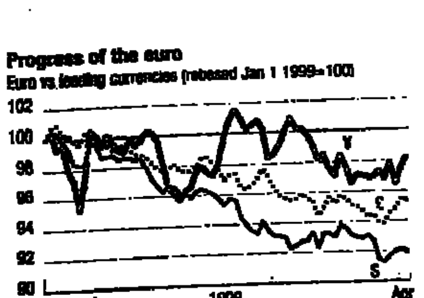
On the home front, agricultural co-operatives and Norinchukin Bank, the bank they control, are thought to have played key roles. "We participated in the auction as part of our asset management strategy as well as in the spirit of co-operation [with the authorities]," said a Norinchukin official.

Japanese life assurance and non-life companies were also important participants, says Mr Matsuda.

Several large insurers said they bought several hundred billion yen worth of the loans, although others said their bids had been unsuccessful. But Nippon Life and Tokio Marine & Fire Insurance, the life and non-life industry leaders, said they had not participated.

Yoshito Sakakibara at Goldman Sachs said: "I think these [loans] are probably quite attractive since they are government guaranteed and the rates in the money markets are very low."

Progress of the euro
Euro vs leading currencies (rebased Jan 1 1999=100)

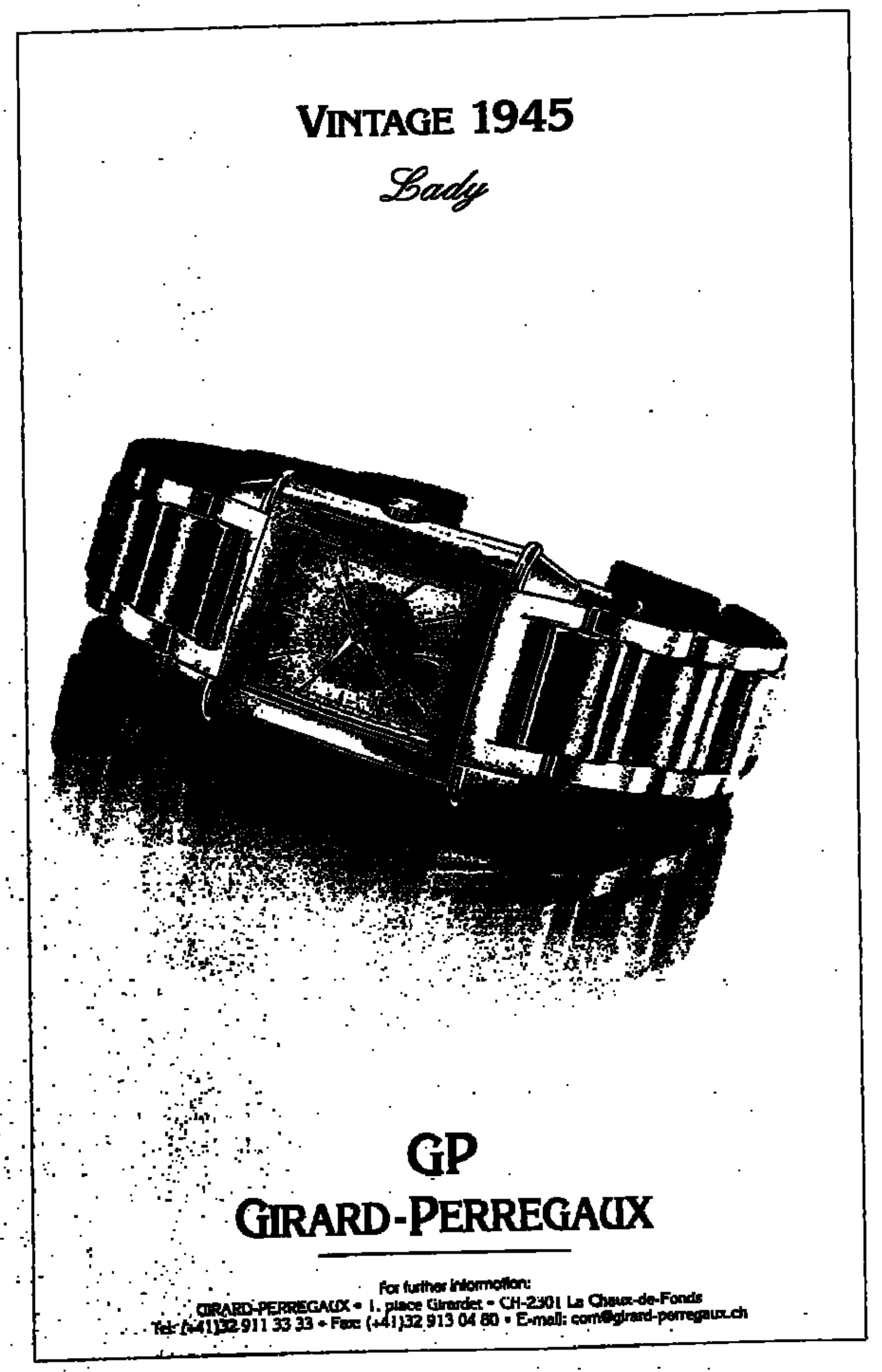


After reaching a record low on Monday, the euro edged a little higher as the Federal Reserve kept its interest rate stance neutral. The hostilities in Kosovo kept trading nervous and helped underpin the dollar.

Euro exchange rates

Dollar	1.0788
Yen	130.87
Sterling	0.6726
Swedish krona	8.8848
Danish krone	7.4314
Greek drachma	326.37
Swiss franc	1.5969

Euro prices, Page 19



London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price £2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr265	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWDb.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr508	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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Yugoslav general vows to banish Nato

By Guy Dinmore in Belgrade

The chief of staff of the Yugoslav armed forces, responding to a new phase of Nato attacks on civilian and industrial installations in urban centres, yesterday called on his troops to clear Nato from the skies and away from the country's borders.

"Holding our combat positions with determination and vigilance, we will continue to fight until the criminals are expelled from our skies and away from our borders. Wishing you luck and prosperity – onward to new victorious battles," General Dragoljub Ojdanic concluded.

Morale within the army appears high and statements from the Pentagon on the effectiveness of the air campaign are questioned by what foreign reporters, restricted in their movements, have seen on the ground.

On an army-escorted trip to southern Serbia, reporters saw damage done to two military installations in and near Prokuplje but most of the facilities, including deep underground bunkers, were untouched. The Pentagon said Nato had information that Serbia was having trouble mobilising reservists but in the south most men of fighting age were in uniform.

Nato's decision to take its air campaign to the heart of the regime of Yugoslav President Slobodan Milosevic by hitting targets in central Belgrade also appears only to have hardened the resolve of Serb civilians not to allow foreign forces into Kosovo.

"Have they no religion?" asked Svetlana Djuric, a Yugoslav Jew who, like many Serbs, draws parallels between Nato's bombing of Belgrade over Easter with the first air raids by Nazi Germany during the Easter festival of 1941.

Olga, her home just next to the plant that provides heating for 300,000 people in New Belgrade, was saved by her piano from flying glass as her windows shattered. She shuns air raid shelters because of "the rats and the dirt" and remains undaunted by her early morning awakening.

Men who tried to dodge their compulsory military service a year ago, when the war against ethnic Albanian rebels erupted in Kosovo, now vow to volunteer if Nato sends in ground forces.

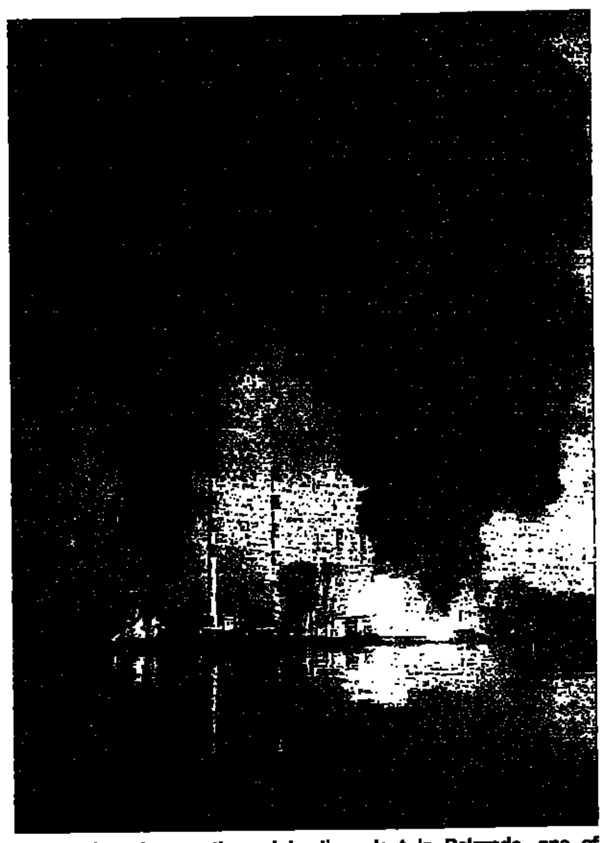
Anger is vented on western embassies in Belgrade. Outside the US mission, a cardboard cut-out of an American soldier hangs from a noose next to the American flag that has had its stars replaced by swastikas. The Canadian embassy lies open to the street after its glass front doors were demolished.

But on the economic front the war is taking its toll. The dinar has fallen by about 10 per cent on the black market and the government is three months behind paying out pensions and has told state workers they must wait for their latest monthly salaries. But Serbs have grown used to hardship after years of economic sanctions imposed in 1992 after war erupted in Bosnia and Croatia.

Rumblings of discontent against Mr Milosevic can only be heard in whispered conversations but they are outweighed by the pervasive anti-western sentiment. The independent media have been silenced as all newspapers are under censorship by the Serbian information ministry that calls daily meetings of local editors.

Foreign reporters can only move around the country, without the fear of being arrested and deported, if accompanied by the army. So far, no trips have been organised to Kosovo. Officials say it is too dangerous because of Nato air strikes.

State television yesterday showed pictures of a massive underground complex in Kosovo containing several MiG-21s and a command centre. The pictures were intended to reassure the nation that the military had not suffered serious losses in the Nato bombing.



Smoke rises from a thermal heating plant in Belgrade, one of several targets struck by Nato bombs yesterday AP

Macedonia stands disunited and poor

As the Albanian minority comes to the aid of refugees, the Slav majority is not so sure. **Robert Wright** reports from Skopje

Graffiti daubed about Skopje, the capital of Macedonia, are testimony to this small, poor former Yugoslav republic's profound divisions.

Some humanitarian aid vehicles still bear the scars of a riot just after the first air strikes against Yugoslavia. Simply because they represented the west and international community, they were painted with swastikas and other symbols linking them with Nazism.

Elsewhere on the streets, however, are also scrawled the letters "UCK", the Albanian acronym for the Serbs' enemies in Kosovo, the Kosovo Liberation Army.

Most sinister of all, in nearby villages some walls bear a cross with four C's around it, the symbol used by ethnic Serbs everywhere from here to northern Croatia. It stands for the slogan of those trying to create, an ethnically pure Serbia – "Only unity saves the Serbs".

Macedonia has muddled through seven years of peace since seceding from Yugoslavia in 1992. But how long that can continue will depend on whether the country can now forge an identity that overcomes the ethnic links which seem to command its citizen's primary loyalty.

"The next three to five days are crucial to the future of Macedonia," says Saso Ordanoski, editor-in-chief of Forum, the local political magazine.

More than 60 per cent of Macedonia's 2.2m population are ethnic Macedonia Slavs, a group claimed by some Serbs to be southern Serbs, and by some Bulgarians to be western Bulgars. Ethnic Albanians form the next biggest group with at least 23 per cent of the population, probably more, while there are myriad other Turks, Romanies and Vlachs. The country's new government, elected last November, had apparently been successfully working to create a greater sense of common purpose among the groups but it is now under the pressure of a huge humanitarian effort the country's crumbling economy cannot support.

Some 57,000 ethnic Albanian Kosovo refugees have already been admitted to Macedonia, while roughly 50,000 wait between the Macedonian and Yugoslav borders. The Kosovars have been standing in long queues – wet, cold people, waiting to register. They are kept from entering the country illegally by a cordon of nervous-looking young Macedonian army conscripts.

But there is little evidence of compassion for the refugees from some in the government or the country's Slavs. Like poorer groups everywhere, Macedonia's Albanians were already outbreeding other groups. The mass arrival of new Albanians has increased Slav fears of being outnumbered.

Slav fears of being outnumbered have increased

Refugees also arrived and concentrated mainly in a strip in the country's west, neighbouring Albania. The most alarmist view sees this majority-Albanian area as potentially part of a greater Albania.

Panic at the possible demographic changes has been fanned by sections of the media and some in the government. Reporters from one television station have repeatedly asked at press conferences about the government's terms to deal with infectious diseases they claim the Albanians are bringing into the country. They have also regularly pursued questions about the refugees' alleged ingratitude in turning down places in makeshift refugee camps.

Most of the refugees have instead been placed in already crowded homes of Macedonian Albanians.

So alarmist are the questions that it is hard to dismiss whispers that some local media are being used by pro-Serb forces to foment panic. Some government ministers, who have been behind a policy of letting refugees in very slowly if at all, retain close links with the Serb capital, Belgrade, formed when they pursued careers in the Yugoslav federation. Macedonia's 50,000 Serbs tend to have greater influence than their numbers would suggest, because of preferment under the old Yugoslav system.

This is in contrast to the behaviour of Macedonia's ethnic Albanians who have launched a mammoth effort to help. Arben Dzhaferi, leader of the Democratic Prosperity Party of Albanians, one of three parties in the governing coalition, has won plaudits for an appeal for calm and Macedonian unity far more high-minded than has been made by his Slav colleagues.

Many Slavs expressed surprise at the Albanians' response, since they had expected belligerent talk about fighting for Kosovo and a greater Albania. If that generous response gets the country through the crisis, Saso Ordanoski of Forum magazine points out that Macedonia can expected substantial international help to overcome the battering received by its economy as a result of Kosovo.

Added to that, the Serb populism which sparked off wars elsewhere in Yugoslavia is a weak force in Macedonia, with Macedonians divided between seeing themselves as allies or victims of Serbia. An incident at a border or refugee camp could still topple Macedonia's stability. But for the moment there is cautious optimism it might even emerge stronger from the crisis.

Aid agencies start to improve conditions

By Stefan Wagstyl in Kukes, northern Albania and Robert Wright in Skopje

The 220,000 Kosovo refugees in Albania were yesterday beginning to see their conditions improve as international aid agencies started to bring their resources to bear on the disaster. But their operations – and those of the Albanian government and local authorities – still face challenges, with 20,000-30,000 refugees a day pouring into the north of the country.

By the end of yesterday some 120,000 people were crammed into the small town of Kukes and the surrounding region, with the numbers rising by the hour. Many were sleeping in the homes of local people, as many as 10 to a room in small three-room flats.

The authorities want to transfer as many as possible to refugee camps being established in more accessible parts of Albania. But lack of transport has limited the numbers leaving Kukes to about 15,000 daily, according to the United Nations High Commissioner for Refugees, which is leading the international relief effort.

Jacques Moucher, the UNHCR special envoy for Albania and Macedonia, said relief workers were starting to master the crisis. "At the beginning the situation was unclear. Things are now getting better but it's still difficult."

UNHCR rejects criticism for delays in supplying aid. Officials said it was impossible to know when and where the Serbs would expel the Albanian Kosovars. The closure – apparently temporary – of the Macedonian border has compounded the problem.

Nato troops were expected to arrive in a day or two to help with relief work, though their precise role was unclear. Aid workers praised the unusually active support of local Albanians who have taken thousands of Kosovars into their homes.

Bordhyl Selmani, a Kukes municipal official, is hosting five Kosovars in the same flat as his own five-person family. "Of course, it is difficult. But they are our brothers. It is our duty to help," he said.

Kosovars arrive in Albania exhausted after a day or more on the road. Most arrive in tractor-drawn trailers. Wealthier refugees have come by car. The poor have walked, a few of them barefoot. While most are hungry, famine is not a risk given that most ate well until the war began 11 days ago. Doctors said the main problems were dehydration, diarrhoea and colds.

Meanwhile, the Macedonian government last night began flying out tens of thousands of Kosovo refugees to third countries in a development expected to ease the crisis at border crossings into the country where thousands had been waiting to be registered.

The first aircraft were due to take off for Turkey, which had said it would accept 20,000 of the 57,000 refugees officially inside Macedonia. Germany was set to take another 10,000 refugees, while Norway would take 6,000.

On Saturday the Macedonian government had in effect halted entry of refugees, saying it would allow in only as many as it had guarantees to take from third countries. The Macedonian army had been partially mobilised to ensure the move did not set off large-scale unofficial border crossings by desperate Kosovars.

UK offers 'temporary' shelter until refugees are able to return home

The UK government announced yesterday it was preparing to provide temporary accommodation in Britain for thousands of Kosovar Albanian refugees, writes Andrew Parker.

A spokesman for Tony Blair, prime minister, said the UK was willing to provide accommodation for refugees until they could return to their homes in Kosovo. They are expected to start arriving within days rather than weeks.

Separately, the government admitted it did not anticipate the scale of the refugee crisis that would result from Nato's air strikes. Doug Henderson, armed forces minister, said: "It's impossible in a conflict situation to anticipate in advance the level of actrocities that Serb forces would actually commit... They have been extremely aggressive and rapid in trying to clear Kosovo of Kosovar Albanians." The Home Office said EU states were drawing up contingency plans to accept refugees but the preference was for Kosovans to remain in the Balkans.

Mr Blair said early yesterday: "Our goal must be to ensure that these people can return to their homes. We cannot and must not accept Milosevic's ethnic cleansing. "That means that we must try, if possible, to avoid dispersing these people around Europe."

The spokesman for Mr Blair said later: "Our top priority is to get these refugees back to their homes and enable them to rebuild their lives in a secure environment. In terms of providing temporary accommodation outside the region, we are already playing our part."

Alliance mulls 'escort force' plan

By Neil Buckley in Brussels

The Rambouillet peace plan for Kosovo thrashed out so painstakingly last month seemed to be dead at the weekend, amid signs of a shift in Nato policy.

Nato leaders and officials continued to rule out a ground invasion of Kosovo, or using any ground forces that would have to "fight their way in".

But plans are being studied for the western alliance to send an "escort force", which might have to number 60,000 or more, into Kosovo to protect returning refugees. This would happen only after Yugoslav forces had withdrawn – or been driven – from the region. But it might occur before any peace deal was signed.

First signs of the shift came with a statement from Javier Solana, Nato secretary-general, late on Saturday, which appeared to toughen the alliance's demands on Slobodan Milosevic, the Yugoslav president.

To end Nato bombing, Mr Solana said, Yugoslavia had to "stop all repressive and combat activity and withdraw its forces from Kosovo, and accept arrangements in which all refugees can return safely to Kosovo under protection of a international security force".

The demand for Mr Milosevic to withdraw all his forces goes beyond Nato's original stipulation that he must accept the Rambouillet plan. That would have allowed 2,500 Yugoslav special police to remain in the region for a year, plus 1,500 soldiers to guard Kosovo's international borders.

The suggestion of a security force to help refugees return was also new. The Rambouillet plan, drawn up before Mr Milosevic unleashed his campaign to depopulate Kosovo, said little about refugees.

Mr Solana's statement provoked a diplomatic spat at Nato headquarters on Saturday night, as some alliance members tried to distance themselves from his remarks. Officials had to "clarify" that the statement reflected the secretary-general's view and had not been adopted by Nato.

But it is understood to have reflected the views of informal discussions between the five Nato countries that are also members of the Contact group, co-ordinating the international community's response to the Yugoslav crisis.

It has also been echoed in some Nato capitals. Kenneth Bacon, Pentagon spokesman in Washington, told journalists the US had no intention of invading Kosovo or bringing refugees back by force. But he did talk of protecting returning refugees with an international force.

He said Mr Milosevic had to accept the "principles of Rambouillet" – which was not necessarily the same thing as a signature.

Jamie Shea, Nato spokesman, played down suggestions of a policy shift yesterday, insisting the alliance's "objectives" of creating a peaceful, democratic and multi-ethnic Kosovo had not changed.

The new thinking in the Contact group marks a realisation that the humanitarian crisis is so grave the western alliance could not wait for formal negotiation of a peace accord before starting to put refugees back into Kosovo.

It also reflects fears that, under the terms of Nato's original demands, Mr Milosevic could theoretically stop the air campaign by announcing acceptance of the Rambouillet terms – having already driven most ethnic Albanians from Kosovo, and with no guarantees on whether they could return.

Nato military commanders hope that improving weather conditions over Yugoslavia will allow them to break Mr Milosevic's army and force it to withdraw from Kosovo.

Military experts suggest between 60,000 and 90,000 troops would be needed for any escort force – far more than the 28,000 laid down by Rambouillet. Nato would need to put a deterrent force on Kosovo's borders with Serbia and be ready to meet pockets of Serb resistance.

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SERB POLICY OF TERROR FLEEING KOSOVARS REPORT ATROCITIES □ GERMAN OPPOSITION TO BOMBING REMAINS SUBDUED □ SENATORS UNITE TO URGE TOUGHER US STANCE

Murder drives out a suffering people

By Stefan Wagstyl on the Albanian-Yugoslav border

Iliaz Morina can hardly speak as he describes how a uniformed Serb gunman knifed his cousin's infant son before the terrified eyes of his whole family.

"He took the child from its mother," says the 63-year-old Kosovar Albanian farmer. "He stood in front of us... He asked for 4,000 Deutschemarks...We could not give it to him...He killed the baby with a knife...He was eight months old...The mother has gone crazy."

Mr Morina finds it difficult to string more than a few words together before fading into silence. But his eyes, red with pain and fatigue, speak volumes for the agonies he has endured in the past five days since the Serbs burst into his home in Seniv, a village near the Kosovo town of Malisevo.

After the baby was murdered, the extended family of about 20 were allowed to leave. Most boarded the family tractor and ran a gauntlet of Serb police roadblocks to the Albanian border.

Speaking yesterday, only hours after reaching the safety of Albania, Mr Morina's ordeal was still not over. Some of the family, including the baby's mother and father, were still in Kosovo. "I don't know where they are," he said.

Mr Morina's story was impossible to verify yesterday, as were the accounts of thousands of other refugees pouring across the mountain passes into Albania. Some of these tales are hearsay. People who vividly describe massacres later concede they are repeating stories told by others. Few are trained observers. All are exhausted and under immense emotional strain. And all loathe Serbs.

However, Mr Morina's account fits a pattern of localised atrocities reported by other refugees. The Serb aim is the expulsion of Albanian-speakers from Kosovo, rather than their extermination. But deliberate terror is part of the campaign – frightening a whole community into submission by murder – sometimes of one or two people, sometimes of one or two families and sometimes of larger numbers.

Different groups of gunmen seem to behave differently. The biggest killings appear to be in regions where the Kosovo Liberation Army was previously active. Young men have been a particular target: they are conspicuously missing from the refugee families. But just how many have been murdered is impossible to judge – many families report leaving behind one or two men to guard the family property; others say their men are hiding in the mountains.

However, from some places come frightening accounts of Serbs picking out men from their families and leading them away for execution. The town of Dakovica, near the Albanian border, was, according to witnesses, the scene of notably widespread killing.

Among the residents was Fatos Peni, who previously worked for the Organisation for Security and Co-operation in Europe, which ran a monitoring operation in Kosovo until Nato bombing started. He says in a statement given to the OSCE that on March 24, when the bombing began, hooded Serb gunmen called on the families of doctors, teachers and other educated Kosovars. They shot the men, led away women and children, and burnt the houses. On April 2, Mr Peni and his family were ordered to leave for Albania, along with other residents. Bodies littered the streets, he says in his statement.

His account is echoed by 15-year-old Blerta Kasumi who also left Dakovica on April 2. Speaking in Kukes, the main town in the Albanian border region, she says she saw Serbs shooting and stabbing people and setting fire to houses. Among her friends, the Dana family were shot and the Koci family burnt alive, she says. "The Serbs made massacres. I saw the bodies," she says with the frightened look of one who has seen too much for her years.

Even after being driven from their homes, refugees were not safe. A column of 12,000 fleeing from their burning villages was bombarded by Serb aircraft and tanks on Thursday night while they slept in hamlets near the town of Orahovac, in southern Kosovo. In Nagavc, a house crammed with about 100 refugees was destroyed, killing all, or almost all, those inside, says Hazir Berisha, a 28-year-old unemployed man from Brestovc village in the Orahovac district. "It was impossible to get into the house to bury the bodies."

The memory of such deaths is a heavy burden for the living. Some want to talk, others to say nothing. In Kukes hospital, Musin Braha, a paediatrician with 28 years' experience, says the psychological damage to children can be profound. "We have a traumatised 11-year-old boy. He does not communicate at all. When he sees his parents cry, he shakes."

Exhausted Albanian women pictured in a bus yesterday after spending several days in the open following their expulsion from Kosovo AP

Germans line up behind Nato action

By Tony Barber in Frankfurt

A desire to show solidarity with Nato and an overriding sense of Germany's responsibilities before history are maintaining public support in the country for Nato's undeclared war against Yugoslavia despite opposition from a vocal pacifist minority.

For a nation whose army is firing weapons in anger for the first time since 1945, a people so seared by its collective memory of Nazi barbarities that it once seemed unthinkable ever again to go to war, the public mood is strikingly calm and purposeful.

"The most important thing now is that we maintain our resolution and clarity, both in opposing [Yugoslavia's President Slobodan] Milosevic and within Nato," Chancellor Gerhard Schröder told a cabinet meeting last week.

There are few anti-war demonstrations, and no one is hanging white flags out of their windows as thousands of Germans did in 1991 when the US assembled an international coalition to expel Iraqi forces from Kuwait.

Opinion polls suggest majority support, unchanged since the outbreak of war on March 24, for the centre-left government's decision to take part in Nato's air attacks on Yugoslavia. According to a survey in the weekly magazine Stern, 52 per cent of Germans believe the air strikes should continue, even if some German soldiers should die. Only 36 per cent were opposed.

Anti-war sentiment is stronger in former communist eastern Germany than in the west, where the public has had more than 40 years to embrace the concept of sharing Nato responsibilities.

Most television and press commentaries indicate support for the government's view that Germans, of all people, cannot stand aside in the face of what the media are portraying as incontrovertible evidence of Serbian forced deportations and atrocities against Kosovo's ethnic Albanians.

"This is systematic extermination, a terrifying reminder of what was done in Germany's name in the second world war," said Rudolf Scharping, the Social Democrat defence minister.

Even so, for Germans born after 1945 and reared on the axiom that *Krieg darf nicht sein* ("War must not be allowed to happen"), the war is proving a severe test of principles that long went unchallenged.

Nowhere is this more apparent than among left-wing Social Democrats and in the once ultra-pacifist Green party, increasingly torn over whether the war is justified. Hamburg's former mayor, Henning Voscherau, is one of several SPD politicians who have criticised Nato's failure to secure a United Nations mandate for the air strikes.

Hundreds of Green activists have signed an anti-war petition that accuses Nato and the German government of aggression in Yugoslavia. The Greens will hold a congress next month that could see loud anti-war protests from the rank and file, possibly complicating the party's role as junior government coalition partner to the SPD.

Yet the Greens' so-called *Realo* ("realist") faction, led by Joschka Fischer, foreign minister, is for the moment holding the line. The Greens' foreign policy spokesman in parliament, Helmut Lippelt, spoke for this faction when he charged Mr Milosevic with "racist expulsion, accompanied by murder. This is something that even a pacifist cannot bear."

Rising US anger fuels calls for ground troops

By Nancy Dunne in Washington

Republican and Democratic senators in the US yesterday united in calls for the introduction of ground forces into Kosovo and said Congress would push the president towards that end when it returned from its spring break next week.

However, Samuel Berger, national security adviser, yesterday insisted on CBS television's Face the Nation programme that "an invasion force" fighting the Serbs village by village was "not in the national interest". Instead, Nato would stick with "unrelenting bombing", aided by a battalion of Apache helicopters, accompanied by rocket systems and supporting troops, now on their way.

But the pressure to ratchet up the pain on the Serbs is increasing. Film footage of apparently brutally murdered ethnic Albanians ran repeatedly on US television at the weekend, overlaying the heartbreaking images of suffering refugees and the plight of three captured US soldiers. When politicians are risking their necks with calls for dangerous intervention, the public is usually not far behind.

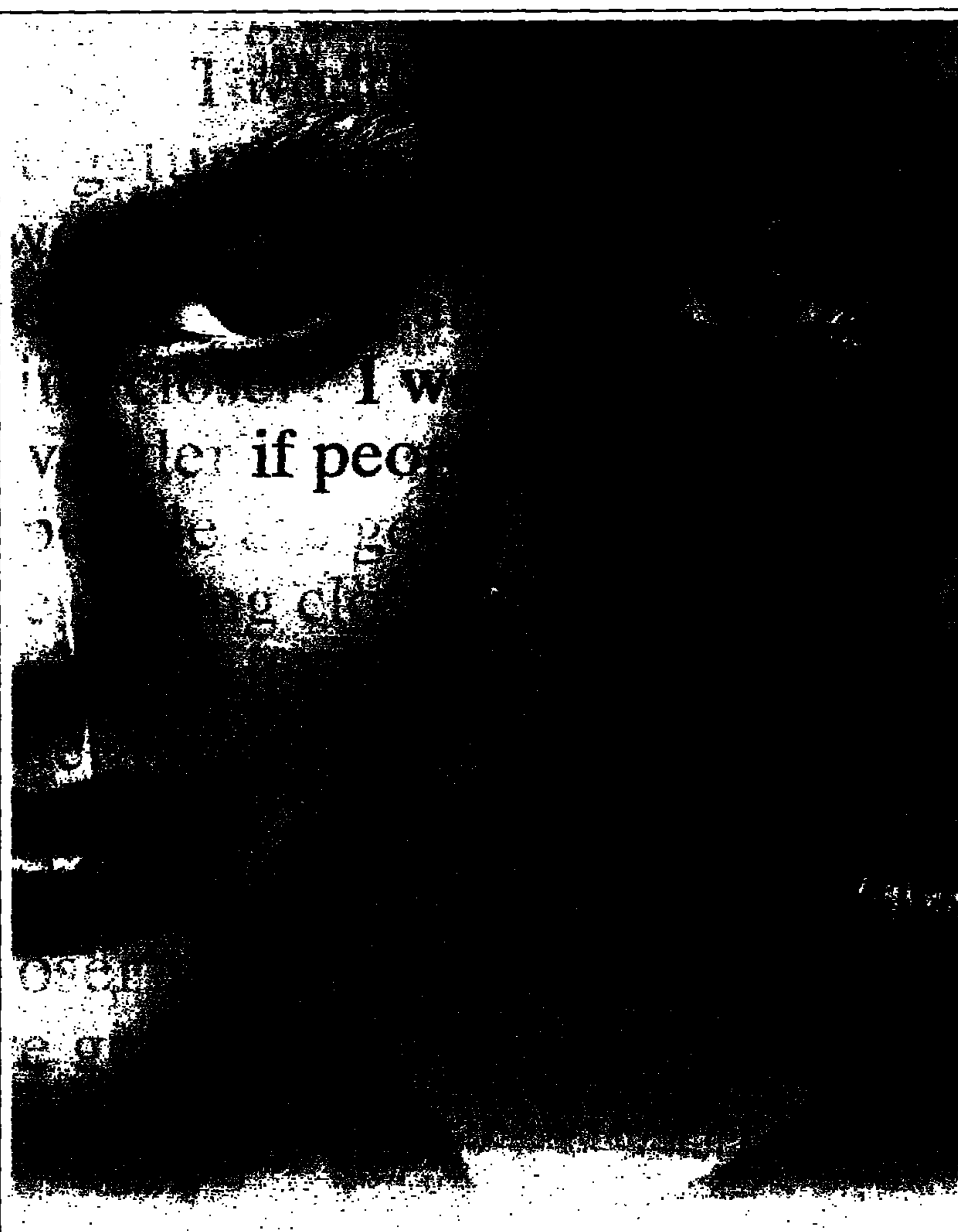
Clearly a shift in congressional sentiment is under way. When Congress left for its vacation, it only grudgingly voted support for the air war. Now some senators want unconditional surrender and the trial of Slobodan Milsovic, the Yugoslav president, as a war criminal.

"I don't like this gradual escalation," said Senator John McCain, a prisoner of war in Vietnam and a one-time Republican presidential candidate. He said bombing should be intensified and the administration should be readying ground troops for action.

Senator Joseph Lieberman, Democrat from Connecticut, said the US should arm the Kosovo Liberation Army, which he said had been running short of food and ammunition. "We have to hold open the option of using ground forces to finish this battle."

Warren Christopher, President Bill Clinton's first secretary of state, writing in the Washington Post, called for the positioning of strong mobile forces in Macedonia and Albania to protect those nations and "to make it plain that no option has been foreclosed".

Mr Clinton already is facing muted criticism for announcing in advance that ground troops would not be used. Now he is calling for patience and making promises that the ethnic Albanians will be returned to their homes.



FAKE INVOICES AND RECEIPTS TARGETED

Clampdown by China on tax evasion

By James Kynge in Beijing

China plans to launch a nationwide campaign this month to catch a multitude of cheats who evade taxes by using fake invoices and falsifying receipts, contributing to a strain on central government finances that ranks as one of the country's most pressing economic problems.

Zhang Wei, director of the general office at the State Bureau of Taxation, said in an interview that the measure was part of a four-pronged attack to boost tax revenues this year and allow the government more latitude to pursue a fiscal stimulus policy that is supposed to be the main engine of economic growth.

Beijing has forecast a budget deficit of RMB150bn ($18bn) this year, up 56 per cent from 1998, and also plans a relatively mild tax collection regime to avoid squeezing companies and individuals as the wider economy slows. Total tax revenues are forecast to climb 4.8 per cent this year to RMB953.3bn, compared with a 10 per cent climb last year to RMB855.2bn, Mr Zhang said.

But the laxity in tax policy does not mean that China feels able to be slack in tax collection. Indeed, with central government revenues at just 12 per cent of gross domestic product last year – one of the lowest levels in the world – Beijing realises its ability to conduct macroeconomic policy is compromised by its poor tax receipts.

With this in mind, the government is about to take aim at selected categories of fraudsters. "There will be a big investigation of receipts," said Mr Zhang. "The government loses a lot of money every year in this."

Receipt fraud in China ranges from the trifling but virtually ubiquitous problem of businessmen over-claiming expenses with fake receipts, to an elaborate ruse through which companies doctor invoices to reduce their eligibility for value added tax, which contributes about 30 per cent of all Chinese tax revenues.

Value added tax in China is different from in the west. It is charged on the difference between the cost of inputs into a factory and the value of products produced. Companies that can convince the taxman their product is worth less than the raw materials used to make it – which is objectively the case in many inefficient state enterprises – can therefore avoid paying any value added tax.

Strain on central government finances ranks as one of the country's most pressing economic problems

This has given rise to a thriving market in fake invoices which companies buy and then fill out with inflated figures to overstate the value of their factory inputs bought, Mr Zhang said.

Both the companies using fake invoices as well as the makers and sellers of the fakes are to be targeted.

Mr Zhang said, are a crackdown on tax evasion among street vendors, chasing up tax arrears and increasing revenues from personal income tax.

Stage set for Lockerbie trial

By Gordon Cramb in Amsterdam

Two Scottish prosecutors arrived in the Netherlands yesterday, as indications grew that Libya was preparing the immediate despatch of two nationals wanted for planting the 1988 suitcase bomb which brought down a PanAm aircraft.

The crash of the Boeing 747 at Lockerbie in Scotland killed 259 on board and 11 on the ground. It brought the imposition five years later of United Nations sanctions against Libya – including an air embargo and foreign assets freeze – which are to be suspended if the extradition goes ahead.

The Libyan government of Muammer Gadaffi, which said last month it would deliver the suspects by tomorrow, invited Arab and other delegations to the capital Tripoli at the weekend to witness the handover.

The two are to be tried by a Scottish judicial bench sitting at Camp Zeist, a former US military base east of the Dutch city of Utrecht. For a decade Libya resisted western demands that the trial of Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah, both allegedly intelligence agents, should take place in the UK or US.

The 100 acres (40 hectares) of Camp Zeist allocated to the hearing will, however, be Scottish soil for the duration of the procedure, which is thought likely to take well over a year. As the two will be charged with murder, Scottish law requires that a trial begin within 110 days. But either defence or prosecution can apply to have that time limit extended, "and that is a very big but", said a Scottish Office official.

About 100 Scottish police as well as 20 prison officers, court officials and other staff are already billeted at the base. The three judges, who will sit without a jury, have yet to be selected. They are to be chosen by Lord Cullen, deputising for Lord Rodger, Scotland's lord chief justice, who can play no role because he was involved in earlier Lockerbie hearings.

The suspects are due to be taken under UN escort to the Netherlands, where they will be detained by Dutch police before a formal extradition to Scottish jurisdiction. Under arrest at Camp Zeist, the two will be held in a makeshift Scottish police station while bomb-proof cells are completed.

British officials described the site as "extremely secure". Another building is being converted into a courtroom, in an operation which has cost the UK £750,000 ($467,000) so far. That bill is expected to rise significantly as the procedure drags on, although Washington has indicated it will contribute.

As Norman McFadyen and Jim Brisbane, the two public prosecutors, arrived at Amsterdam's Schiphol airport yesterday, Ahmed bin Hilli, assistant secretary general of the Arab League, was on his way to Tripoli. Hans Corell, chief UN legal counsel, was expected to arrive in the Libyan capital to arrange the handover.

Hans Corell, chief UN legal counsel: expected in Tripoli to arrange handover

Russia threatens US over sanctions

By Andrew Jack in Moscow

Russia yesterday threatened retaliation against the US following the imposition of sanctions announced at the weekend against three companies supplying arms to Syria.

The foreign ministry in Moscow called the US decision "illegal" and against international law and said it "reserves the right to take adequate steps in response".

Its reaction came asPresident Hafez al-Assad of Syria prepares to visit Moscow on April 13 for talks expected to cover military co-operation as well as economic and political links.

The US State Department said it had imposed sanctions against the Tula Design Bureau, the Tznitochmash company and the Volsky Mechanical Plant for allegedly providing anti-tank guided weapons to Syria, which the US accuses of sponsoring terrorism.

However, the US administration held back from withholding $90m in direct aid to Moscow, for reasons which James Rubin, the State Department spokesman, described as in "the national interest".

He said the sanctions would remain in place for one year after any weapons transfers came to an end, or until the secretary of state determined that a waiver would be in US interests.

The action follows US bans in recent months on a dozen Russian companies suspected of providing sensitive nuclear equipment to Iran, accusations which Russia vehemently denies.

Igor Sergeyev, the Russian defence minister, said on Saturday that he "condemned" the US sanctions as "groundless".

The ministry added yesterday that they were "one more blow at Russian-US relations already heavily challenged by the US military action against sovereign Yugoslavia".

Delhi aims to draw investors into India's liberalised telecoms sector

By Amy Louise Kazmin in New Delhi

Investment in India's private telecommunications companies has been on hold for the past 18 months, with financial institutions reluctant to support what they regarded as unviable projects resulting from a deeply flawed liberalisation process.

When India first opened its state-controlled telecommunications sector to private competition back in 1994, it auctioned licences to provide local cellular and fixed-line services for parts of the country.

In the first flush of enthusiasm, Indian companies and their foreign joint-venture partners overestimated the potential market.

Those who won found themselves saddled with massive licence fees which they could hardly afford. Cellular networks were launched widely but their high prices made them relatively unappealing to use for most Indians. Only two basic service providers got off the ground at all. When their folly became clear, private operators cried for relief.

In a bid to resuscitate the ailing sector, the Indian government last week unveiled a radical new telecommunications policy, which it hopes will kick-start investment. Most crucially, the policy says companies that enter the sector from now on will not have to pay fixed licence fees. Instead, they will pay an initial entry fee, then enter a revenue sharing agreement with the government.

Analysts say this will give the government a vested interest in helping private operators succeed. "It's a very healthy step," says Mahesh Uppal, a telecommunications policy expert.

"The government isn't just out there to collect a pound of flesh; it becomes a stakeholder in the process." The official attitude now, he says, will have to be "if you don't make money, we don't make money".

But existing operators are in limbo. For now, revenue-sharing arrangements will apply only to new entrants. The question of what to do with companies that started operations under the old regime has been referred to Soli Sorabjee, India's attorney general, who has been asked whether the existing players can switch over to the new regime.

Companies, which include joint ventures involving BT, AT&T, and Australia's Telstra, are cautiously optimistic.

"My feeling is that the existing players will be able to move over to the new regime," says Sunil Mittal, chairman of Bharti Enterprises, which runs one of New Delhi's two cellular phone services and operates a basic services network in Madhya Pradesh.

Virat Bhatia, a spokesman for AT&T, which is in a joint venture that runs a cellular network in western India, says the existing licences already contain an escape clause, which allows the government to alter the terms if deemed necessary in the public interest.

He believes the current circumstances meet that test. "If there is no transition for current operators, you are going to drive 47-odd companies into bankruptcy," he warns.

That, he says, would mean the government would have to repossess the licences and networks, then resell them – a process which could take three to five years. "It'll freeze all the investments," he says.

The new policy also opens the sector to more players. However, the new policy allows unlimited basic service providers and says that four players – including the government – will be permitted to offer cellular phone services in any given area.

There are causes for concern. The role of the independent regulator, the Telecom Regulatory Authority of India (Trai), has been controversial, with the government Department of Telecommunications (DoT) challenging its authority in many areas.

Though the government upheld the regulator's new tariff schedule, many industry analysts interpret the new policy as a significant dilution of the regulators' powers.

For example, when it comes to resolving disputes between the licensor – the government – and licensees, the regulator will be limited to the role of arbitrator, instead of the stronger role as adjudicator.

That means the Trai will not have the ability to offer temporary relief, or enforce its decisions, which can then be appealed to the courts. Mr Uppal called the change "a step backward" for which there is "no good reason".

However, others say by giving the regulator the responsibility for arbitrating disputes between the government and licences, the government has taken a step forward.

Other aspects of the policy are more positive. The domestic long-distance sector, currently a government monopoly, will be opened to competition by the first of January next year.

The DoT, which now functions as both the licensing agency for private operators and a service provider competing with private operators, will separate the policy-making and licensing functions by 2001.

Overall, the new policy is likely to revive some investor interest in the sector. It seems the government has clearly learned something from the debacle of the past. "There is light at the end of the tunnel," says AT&T's Mr Bhatia. "I just hope it's not the train from the other side."

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NEWS DIGEST

MAHATHIR HAS LUNG INFECTION

Malaysian prime minister taken to hospital

Mahathir Mohamad, the 73-year-old Malaysian prime minister, has been admitted to the National Heart Institute with a lung infection, according to his aides. Dr Mahathir, who underwent heart bypass surgery in 1989, returned ill last week from the Haj pilgrimage to Mecca. His aides say the prime minister was admitted to the institute because of his history.

The prime minister has recently been trying to manage an unprecedented political backlash against his 18-year reign because of the sacking of his deputy, Anwar Ibrahim, an economic recession and a viral epidemic that has killed 85 people. However he has remained energetic and involved in the day-to-day running of the country.

Dr Mahathir was admitted to the hospital on Friday night. Abdullah Ahmad Badawi, who replaced Mr Anwar as deputy prime minister, said he had seen Dr Mahathir yesterday and there was no reason to worry about his health. **Sheila McNulty, Kuala Lumpur**

MALAYSIA POLITICS

Anwar's wife starts new party

The wife of Malaysia's sacked deputy prime minister, Anwar Ibrahim, yesterday launched an opposition party to oust Prime Minister Mahathir Mohamad. Wan Azizah Wan Ismail, an eye doctor and mother of six, hopes to unite those who have turned against Dr Mahathir because of the treatment of her husband. The National Justice Party's logo is a blue and white eye, symbolising the black eye with which Mr Anwar emerged from detention.

Although Mr Anwar said he would support the party, he has not become a member. He has long belonged to the powerful Umno party of Dr Mahathir, which has led Malaysia since independence in 1957. Despite the tens of thousands who have rallied in support of Mr Anwar, political analysts are unsure whether the opposition can mount a successful challenge to the entrenched Umno.

The two main opposition parties, DAP and PAS, remain ideologically far apart despite pledging to work together to remove Dr Mahathir. The High Court is to deliver a verdict on Mr Anwar on the charges of abuse of power on April 14. Mr Anwar insists they are part of a high-level conspiracy to keep him from successfully challenging Dr Mahathir's 18-year reign. **Sheila McNulty**

ISRAELI OPINION POLL

Support for Palestinian state

A majority of Israeli Jews for the first time believe the Palestinians have a right to a state, while those who believe Palestinians would destroy the Jewish state has for the first time fallen below 50 per cent, according to the monthly "peace index" conducted by Tel Avi University's Tami Steinmetz Centre.

The polls, carried out last month, signal a significant shift in public opinion in which a majority of Jews has consistently accepted the inevitability of a Palestinian state but never the right to a state.

The poll shows that 69 per cent of Israeli Jews said a Palestinian state was inevitable, 55 per cent said Palestinians deserved their state, and 48 per cent said Israel would not be destroyed if such a state was created. However, a strong majority opposed any compromise over Palestinians establishing its capital in East Jerusalem, although recent academic studies have suggested otherwise.

The polls coincide with an Israeli election campaign in which Benjamin Netanyahu, Israeli prime minister, desperate to boost his chances of re-election, has repeatedly warned of the dangers of a Palestinian state.

He has, publicly at least, refused to accept even the inevitability of a state which Yassir Arafat, Palestinian Authority president, was due to declare unilaterally on May 4 but has since postponed until after the Israeli election on May 17. **Judy Dempsey, Jerusalem**

MEMBERSHIP TALKS

Backing for Lithuania on EU

Lithuania should not have to provide a schedule for closing down the Ignalina nuclear power station as a precondition for being allowed to start full EU membership negotiations, Sweden's foreign minister Anna Lindh said.

Ms Lindh said Sweden would press for Lithuania to be allowed to begin formal membership talks after the Helsinki summit in December.

Neighbouring Baltic state Latvia is expected to be accepted for full membership negotiations in Helsinki without opposition. However, the failure of Lithuania to agree to the closing down of the Chernobyl-type power plant has been seen as hindering the country's progress to EU membership.

"Lithuania has not had as positive a commitment from the EU commission as Latvia but according to our evaluation Lithuania should have the possibility to start negotiations after Helsinki," Ms Lindh said.

"I think it is easier to convince Lithuania to close down Ignalina, according to their international commitment, and to help them get out of their dependence on Ignalina, if they are starting their negotiations with the European Union," she said. However, she said she did not think the country would become a member until it had made the decision to close the plant. **Nicholas George, Stockholm**

ATTACK ON RUSSIA'S SECURITY BUREAU

Two injured in Moscow blast

A bomb exploded outside an office of the Federal Security Bureau (FSB), the successor to the KGB, in central Moscow late on Saturday night, slightly injuring two people.

A security guard and a policeman passing near the building in Kuznetsky Most were hurt and shop windows shattered as a result of the blast.

No one has publicly claimed responsibility for the attack, but the FSB said investigations were taking place under the terrorist code.

A bomb exploded in Vladikavkaz in Northern Ossetia in the Caucasus last month killing over 60 people, and there have been recent reports of plans by Chechnyan separatists to launch terrorist attacks. **Andrew Jack, Moscow**

NO-FLY ZONE

Iraq claims western attacks

Iraq yesterday said one person was injured when western aircraft attacked targets in the country's western-imposed southern no-fly zone. "Hostile formations (of warplanes) bombed some service installations and military positions in the southern area and the bombings led to injuring one citizen," the official Iraqi news agency INA quoted a military spokesman as saying.

The spokesman said Iraqi fighter jets "confronted the warplanes and forced them to flee to their bases in Kuwait and Saudi Arabia". There was no immediate confirmation of the strikes from the US or Britain, which are imposing the no-fly zone in southern Iraq. **Reuters, Baghdad**

FTC clicks on to fears over data on web users

By Roger Taylor
In San Francisco

A team from Georgetown University in Washington is soon to present a study to the Federal Trade Commission (FTC) on internet sites and how these collect personal information about users.

The report is expected to reignite a long-running debate on internet privacy and the FTC has warned it will regulate unless there is evidence that web sites are publishing clear policies on how personal data are used.

However, the political argument could become sidelined by the technological battle between vendors and consumers. A spate of new services to be launched over the next few months aims to shift the balance of power regarding personal information away from internet companies and into the hands of internet users.

At present there is no privacy on the internet. Internet service providers know an individual user's name and address and can track every single move the user makes on the web. And the information is held on record:every e-mail sent and every message posted to a news group is almost certain to leave a trace.

Internet marketing groups are now collecting and storing complete "clickstream" data about a user's every move. The information is collected anonymously – the user is identified only by a number left on their computer called a cookie – but for a company which also has a user's name and address it is remarkably easy to link the two, even if not officially permitted.

The FTC wants internet companies to inform their customers about the information they collect and what they do with it. But some users feel unsettled that such complete information about them exists and is accessible. They are disturbed that their mailings to an Irish Nationalist news group 10 years ago, or their interest in exotic dancing might become available, whether legitimately or not. Assurances from internet companies regarding this data may not be sufficient for some users.

Privaseek, a Louisville, Colorado start-up, is one of several new businesses aiming to put more "information control" in the hands of the internet user. Its planned Persona service will allow people to volunteer personal information and then stipulate how it is to be used. The company will then deny access to this information to any site which does not meet its privacy standards. Furthermore it will demand discounts on behalf of customers in return for personal information.

The US Federal Trade Commission wants clear policies on how personal information on internet users is distributed Reuters

A more ambitious goal is being set by Lumeria, a Silicon Valley start-up which intends to launch its Superprofile service this month.

Unlike Privaseek, which is primarily concerned with volunteered information, Lumeria aims to give the internet user control over both volunteered personal data and the clickstream data collected from internet movements. The customer can indicate which web sites it trusts to have its real information. For other sites, Lumeria will present a fake identity to the site and then delete the identity when the user leaves. This will leave no useful information with the web site.

However, Lumeria will be able to collect the complete clickstream data about its users, which the user can then chose to sell in part or in whole, to marketing companies. Lumeria will take 20 per cent of the proceeds and pass on the other 80 per cent to the customer. In a particularly subversive move, Lumeria also aims to copyright its clients' personal data and clickstream information. Companies could then be sued for copyright infringement if they tried to collect similar data.

Neither the Lumeria nor Privaseek service offers complete peace of mind. In both cases, there is still a complete record of a user's internet life. If an aggrieved party alleged an online profile libelled them, they could get a court order to retrieve this information.

A Montreal-based start-up is moving to address that problem. Zero Knowledge will next month launch a service which will encrypt a user's communications across the internet. As a result even internet service providers will have no knowledge of the individual's online activities. Nor will Zero Knowledge, which will break a subscriber's communications into three pieces, unscramble them at three randomly selected computers and then pass the information on to the internet.

The only way to find out what the communication was and who it was from would be to eavesdrop on all three unscrambling computers at the exact time the communication passed through them. "This is a system a Chinese dissident could rely on," says Austin Hill, who set up the company. Fred Davis, head of Lumeria, wants to combine Zero Knowledge's technology with his own to create a complete and unbreakable privacy shield for internet users.

However, such a service could bring its own problems of unaccountability with people hiding behind anonymity to libel people or push pornography.

Mr Hill argues that people will have to learn not to trust anonymous users spreading gossip on the internet just as they would not trust an anonymous note, pinned to a notice board in the real world.

Whatever the pros and cons, the technology will be available very soon and could make the concerns of the US Congress about internet privacy increasingly irrelevant.

If the FTC has succeeded in persuading internet companies to adopt a more responsible attitude to the information, users may decide they do not need the new privacy services.

But there are likely to be many who choose not to rely on the protection of a company's policy statement when there are alternatives which provide a far greater degree of certainty.

LEGISLATION MINISTERS CONCERNED THAT PUBLIC AUTHORITIES ARE NOT READY FOR INCORPORATION OF EUROPEAN CONVENTION

Government may delay human rights act

By Andrew Parker, Political Correspondent

The UK may decide to delay incorporation of the European convention on human rights into law because government departments and other public authorities are not ready to cope with its impact.

The Human Rights Act reached the statute book in November but the government is refusing to give a date when it will come into force.

The act gives unprecedented powers to judges and will drag them into politically contentious disputes. People will be able to seek judicial review of decisions by government departments, non-elected advisory bodies and local councils.

In a parliamentary question, Lord Williams of Mostyn, a Home Office minister, was asked if the government intended to bring the act into force during 2000. He replied: "We have not yet reached a final view on when to bring the human rights act into full effect. We will do so as soon as we can." A Home Office official said the act may come into force next year, but added that the government could not guarantee it.

Lord Williams heads a taskforce charged with raising awareness about the impact and scope of the act. A £4.5m ($7.2m) training programme has been established for the judiciary and public authorities that will be affected.

Under the act, judges will be able to declare that domestic legislation does not comply with the European convention, obliging the government of the day to amend the offending act. The courts will be able to strike down legislation passed by the Scottish parliament if they believe it contravenes the convention.

Ministers are concerned that the courts could become bogged down with cases brought by people claiming their rights have been infringed unless judges take a robust approach to questions of law. They are also concerned that public authorities are not fully aware of the impact of the European convention.

The main rights protected by the convention include the right to life, the prohibition of torture, the right to a fair trial and respect for private and family life.

Protocols ratified by the UK add other rights, including the right to peaceful enjoyment of possessions and the right to education. Among the areas where ministers fear a plethora of litigation are challenges to the anti-terrorism legislation covering Northern Ireland.

The UK was one of the 10 original signatories to the convention in 1950. The convention has been binding on the UK since it came into being in 1953. But remedies had to be sought at the European Court of Human Rights in Strasbourg because the convention was not incorporated into UK law.

Scottish elections herald a fight to save the United Kingdom

Andrew Parker reports on a campaign led by Gordon Brown to secure a poll victory for Labour against the separatist party

UK devolution

Over the next four weeks, the governing Labour party is fighting to save the United Kingdom. The first elections to the new Scottish parliament and Welsh assembly on May 6 will decide whether voters choose devolved administrations inside the UK or independence outside it.

The government will be wounded, potentially fatally, if its radical constitutional reforms herald the break-up of the UK.

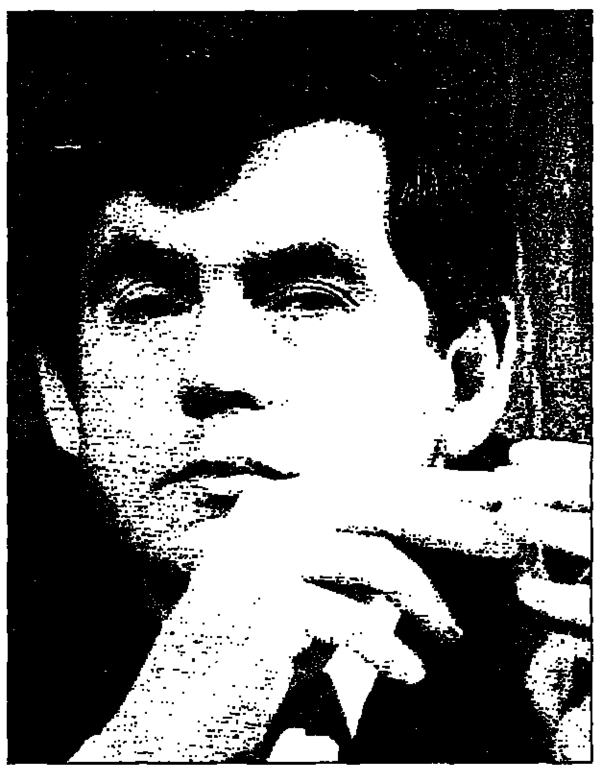
Leading the charge to save the UK will be Gordon Brown, the chancellor of the exchequer. Ever since opinion polls began to suggest last summer that the Scottish National party could win control of the Edinburgh parliament and realise its goal of an independent Scotland, Mr Brown, whose parliamentary seat is in Scotland, has been developing a strategy to secure victory for Labour.

He is confident of that strategy. "Of course we are going to win," Mr Brown says. He claims the SNP has exposed itself as "anti-fairness, anti-business and anti-internationalist".

Mr Brown and his colleagues seemed to face a Herculean task. Despite Labour giving Scotland its first law-making parliament for 300 years, the ruling party has shown a remarkable capacity to shoot itself in the foot north of the border since the 1997 general election. Allegations of sleaze have been levelled against Scottish Labour MPs, while some of its local councils there showed scant regard for financial probity.

Enter Mr Brown. Donald Dewar, chief minister for Scotland in the UK government, masterminded the legislation to establish the Scottish parliament – but it was Mr Brown who sought to contain the nationalist argument that devolution is simply a halfway house to independence. His book *New Scotland, New Britain* argued that in the age of global economies Scotland must remain part of a multinational state.

Today it is Douglas Alexander, Mr Brown's protégé and another local Labour MP, who runs the party's Scottish campaign in Glasgow. After months of gloom and doom, Labour is bullish. It believes the SNP has made two gaffes by proposing to use the parliament's power to reverse a cut in income tax and by criticising Nato air strikes on Yugoslavia.



Gordon Brown: the chancellor 'takes nothing for granted' Dave Gadd

Citing the example of Quebec, where voters narrowly rejected independence from Canada in a 1995 referendum, Mr Brown predicts Scots will snub the SNP. "What people should understand is that the SNP, if they get a majority, would open or try to open negotiations for independence the day after the election."

When Mr Brown decided in last month's annual Budget to cut the basic rate of income tax by a penny, the SNP pledged to reverse it by using the Scottish parliament's revenue power. Mr Brown believes he caught the SNP out. The separatists argue that their proposal will prove popular in a country with a stronger communitarian tradition than England, and say the £230m ($370m) raised would be spent on education and health. Moreover, the proposal has successfully focused public debate on devolution rather than on independence. The SNP wants to fight the elections on a gradualist agenda: demonstrating it can run a devolved administration responsibly before asking Scots to vote for independence in a referendum.

Mr Brown is having none of it. Under independence, he warns that Scots would face even higher taxes. He is equally unforgiving about the SNP's tentative plans for a separate Scottish currency. "There is no desire for a separate Scottish pound. The danger of voting for the SNP is people...could be plunged headlong into a situation where the SNP are negotiating for a separate Scottish pound with all the dislocation that would mean for industry and the loss of what has been an effective single market throughout the UK for many years."

He also questions the SNP's calculation that Scotland could move effortlessly from using UK sterling to the euro if an independence referendum follows a UK referendum on membership of the single currency.

The chancellor is less willing to discuss the government's funding mechanism for the devolved assemblies. Many Labour MPs with English constituencies are jealous of the higher spending per head in Scotland, and Mr Brown is under pressure to justify the *status quo* by conducting a new assessment of public need.

Such an assessment, 23 years after the last one, would almost certainly result in a cut to the £14bn grant about to be handed to the Scottish parliament. Pressed on why England should continue to in effect subsidise Scotland, Mr Brown says: "We are pursuing financial arrangements that lasted under the last Conservative government for 18 years...It's not the right time to announce a change of policy." Indeed. A new assessment of public need would be seized on by the SNP as evidence of Labour failing to stand up for Scotland's interests.

Meanwhile, there are elections to be won and a union of countries to be preserved. Mr Brown is right to say "we are taking nothing for granted": until recently Labour did take Scotland for granted, having dominated Scottish politics for decades. The May 6 elections will be the test of whether his hard work has paid off.

NEWS DIGEST

NORTHERN IRELAND

Peace process remains stalled, says Sinn Féin

Sinn Féin, the political wing of the Irish Republican Army, yesterday said the new declaration on the Northern Ireland peace process had failed to break the deadlock over the decommissioning of terrorist weapons.

While the pro-British Ulster Unionist party claimed the declaration by the UK and Irish governments would lead to IRA decommissioning within weeks, Sinn Féin said the peace process was stalled.

Tony Blair, the UK prime minister, said he was convinced that the Good Friday peace agreement would be finalised. "We have all come too far to turn back now," Mr Blair said.

The declaration, which builds on the accord, aims to circumvent the impasse in which the UUP refuses to sit with Sinn Féin in the planned Northern Ireland power-sharing government until the IRA begins decommissioning weapons. The compromise envisages the IRA putting some arms "beyond use on a voluntary basis" to pave the way for Sinn Féin taking seats on the executive.

Gerry Adams, Sinn Féin president, said at a rally to mark the anniversary of the 1916 Easter rising against British rule in Dublin: "One of the provocations has been the demand on the IRA to disarm. This is something which the IRA has made clear it feels under no obligation to do." **Andrew Parker, London**

BARINGS COLLAPSE

Leeson to be released in July

Nick Leeson, the disgraced former Barings Bank trader, will be released from prison in July, it was reported yesterday. Wong Kan Seng, Singapore's home affairs minister, told the Sunday edition of the South China Morning Post that Mr Leeson, who has cancer, would be released from Changi Prison on July 3 because of good behaviour and not because of his health.

The minister was quoted by the Hong Kong newspaper as saying: "Under our prison regulations we don't release a prisoner just because he is sick. He has to serve his sentence. If he can't survive his sentence in the opinion of the doctors, we will consider giving him a remission."

Mr Leeson still has three years left to serve of the six-and-a-half-year sentence he received in 1995 over an £875m ($1.4bn) scandal that brought down Britain's oldest merchant bank.

SINGLE CURRENCY

Directors' body warns on euro

British business is better off outside the euro-zone, and the UK should keep the pound for the foreseeable future, according to the Institute of Directors. A report published today says institute members and their employees should vote against joining the euro in any referendum on Britain's membership of the European single currency.

Monetary union will lead to fiscal union. Moves towards fiscal harmonisation will be accelerated by the euro.

When combined with the unfunded public pension liabilities in continental Europe, in the long term this could mean much higher taxes in the UK, the report says. **Andrew Balls, London**

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bradford Property Tst 10½% Cm Pf 5.25p
Browning-Ferris $0.19
CRH 7% Gross A Cm Pf IR3.115p
Compass 5¾% Cv Bd 2007 £143.75
Consolidated 2½% £0.625
Premark $0.10
Rank Fin 8¾% Bd 2000 £837.50
Securicor 1.5p
Treasury 3% (1975) £1.50
Treasury 8% 2002/06 £4.0

■ TOMORROW

Abbey National 8⅝% Non-Cm £ Pf 3.88125p
Do 10⅜% Non-Cm £ Pf 4.86875p
Do 10⅛% Exch Cap Secs £50.3125
Aberforth Split Level Tst 2.5p
Do Units 2.5p
Airtours 6p
Allders 5p
Allied Leisure 0.7p
Allied Textile 10p
Alumasc 2.45p
Alvis 5½% Cv N/Vtg Pf 2.75p
Anglian Water 12.8p
Ashtead 0.483p
Asset Mngmnt Inv 3p
Assoc British Foods 6.25p
Aston Villa 2.2p
Aukett Assoc 0.15p
Avesco 3.5p
Bankers Inv Tst 0.44p
Beale 3.25p
Bellway 9½% Cm Pf 2014 4.75p
Birkby 2.6p
Border Television 2.7p
Bourne End Props 0.55p
BP Amoco 6.119p
Brewin Dolphin 8p
British Land 6.73p
British Sky Broadcasting 2.75p
Brixton Estate 3.465p
Brooke Indl 3.5p
Brunel 0.5p
BTR 0.8p
BTR Siebe 1.485p
Capital Radio 10.5p
Carclo Eng 3.44p
Cardiff Prop 2.4p
Carlton Comms 8.25p
Cassidy Bros 0.75p
City of London Inv Tst 1.72p
Cleveland Tst 2.75p
Columbus 0.2p
Daily Mail & Gen Tst £12.50
De La Rue 4p
Dixons 3.5p
Dorling Kindersley 3.1p
Electronic Data Processing 1.533p
English & Scottish Invs 2.45p
Ericsson Ser B Non-Rest SKr2.0
Eurocopy 0.8p
Eurodis Electron 2.15p
Fairplace Consulting 0.0486p
Filtronic 0.9p
First Choice Holidays 2.2p
Gartmore Scotland Inv Tst 2.7p
Do Package Units £6.75
GEC 4.2p
Greenalls 8% Irrd Un Ln £4.0
Do 9¼% Irrd Un Ln £4.5625
Hawtin 1.32p
Hickson Int 0.6p
Hyder 34.2p
Hydro-Dynamic 1.3p
IAF 2.5p
JWE Telecom 0.65p
Jarvis 3.5p
KBC Advanced Tech 2.6p
Ladbroke 4.51p
Lawrence 2.2p
Lincat 4.5p
London Scottish Bank 2.68p
Lonmin 7.2p
Lynx 1.7p
Marston Thompson & Evershed 123p
McLeod Russel 4p
McMullen 3.25p
Do 10½% Cm Pf 5.25p
Met Water Board Grand Junction Water 3% Db £1.50
Do West Middx Water 3% Db £1.50
M & G Equity Inv Tst 0.99p
Do Package Units 0.99p
Mid Kent Water 14.77p
Mid Wynd Int Inv Tst 3.3p
Milner Estates 1.421p
Minerva 1.7p
Misys 1.21p
National Power 9.6p
Northern Foods 2.6p
Paragon 1.7p
Park 1.1p
Paterson Zochonis 5.85p
Do A N/Vtg 5.85p
Peel 3.2p
P & O Dfd 13.94p
Pennon 14.7p
Pilkington 1.75p
PizzaExpress 1.3p
Porter Chadburn 0.315p
Primary Health Props 3.1p
PWS 0.5p
Quavle Munro 4.5p
Raglan Props 1.3p
Railtrack 8.7p
Rank 5.75p
Rexam 6.5p
Do 7¾% Cv Pf 3.885p
Save 3.3p
Schroder Split Fd 2.5p
Schroder UK Grwth Fd 0.9p
Scottish Highland Hotels 2.6p
Scottish Inv Tst 2.85p
Seacon 0.75p
Sears 2.5p
Severn Trent 3.84p
Sims Food 0.25p
Stylo 4.56p
Sutton Harbour 1.4p
Swallow 7.8p
Tate & Lyle 11.7p
Thames Water 14p
Do B 2.98249p
Turnpyke 0.13p
United Utilities 29p
Volex 8.2p
Widney 2.5p
Yorkshire Water 6.75p

■ WEDNESDAY
APRIL 7

Adscene 3.5p
Allied London Props 2.98p
Amstrad 0.3p
BOC 15.7p
Blick 9.5p
Bradford & Bingley Bldg Scty 13% Perm Int Brg £650.0
British Airways 5.1p
British Assets Tst 1.24825p
Capital & Regional Props 1.5p
Chemex Int 0.35p
Chemring 3p
Domino Printing Sciences 8.5p
Europower 0.31p
Fayrewood 0.54p
FI 0.63p
Fleming Worldwide Inc Inv Tst 1.125p
Do Units 1.125p
Fyffes €0.027123
Galliford 0.5p
Gartmore European Inv Tst 1.5p
Hambros Smaller Asian Cos Tst $0.03
Hammerson 4.13p
Heavitree Brewery 5p
Do A Lim/Vtg 5p
Hillsdown 2.25p
Hill & Smith 2.1p
Jos 3.35p
Jupiter European Inv Tst 2.05p
London Pacific $0.18
Mentmore Abbey 0.374p
Novara 5p
Reckitt & Colman 9.7p
Regalian Props 0.775p
Rio Tinto 22.03p
Shani 3p
Sidlaw 1.5p
Stoves 2.2p
Systems Int 0.1p
Tamaris 1.05944p
UK Land 5p
United Kingdom FRN 2001 $12.03
Waddington 5p
Wagon 7p
Westminster Health Care 2.85p
Wyndham Motor 5p

■ THURSDAY
APRIL 8

Abbey National Treasury 9% Gtd Bd 2004 L450000.0
Bradstock 2.1p
Break for the Border 0.7p
Chrysalis 2.75p
Colefax & Fowler 1.17p
Compass 3.8p
Countryside Props 2.5p
Crest Nicholson 3.25p
Electra Inv Tst 6p
Estates & Agency 6.5p
Eve 2.67p
Fairfield Ent 3.5p
Fll 1p
First Leisure 6.68p
Firth Rixson 2.25p
GEI Int 1.5p
Jones Stroud 5.5p
Kewill Systems 4p
Menzies (John) 4.8p
MSW Tech 0.75p
Murray Emerging Economies Tst 0.55p
Oxford Instruments 2.4p
Savills Gordon Estates 1.1p
Somerfield 4.5p
Stakis 1.75p
Tops Estates 2p
TR Property Inv Tst 0.5p

■ FRIDAY
APRIL 9

Alumasc 2.45p
BWD Secs 8.5p
CALA 1.55p
Courts 1.05p
EMI 4.25p
Enterprise Cap Tst 1p
Finelist 2.8p
Gencor R0.505
Goodman Fielder A$0.035
IMS 2.42p
Investors Cap Tst Inc Anty Rest/Vtg 1.48p
Do Units 1.48p
Manganese Bronze 4p
Martin Currie High Inc Tst 2.15p
NHP 2.4p
Pace Micro Tech 0.25p
Pictet British Inv 1.75p
Range Cooker 0.05p
Reabourne Merlin Life Sciences Inv Tst 0.6p
Scottish Asian Inv 1.03p
Do Ptg 1.03p
Slug & Lettuce 3.025p
State Elec Comm of Victoria 11% Gtd Nts 2002 A$110.0
Treatt 4.4p
Tst of Property Shares 2.12p
WF Elec 5.25p
Warner Estate 8.9p
Waterfall 0.25p
Williams Non-Cm B Pf 0.904951p
Worthington 1.065p
Wyko 1.8p

■ SUNDAY
APRIL 11

Islington 12.65% Rd 2007 £6.325

UK COMPANIES

■ TOMORROW

COMPANY MEETING:
Heavitree Brewery, Trood Lane, Matford, Exeter, 11.30
BOARD MEETINGS:
Finals:
Dinkie Heel
Thompson Clive
Walker Greenbank

■ WEDNESDAY
APRIL 7

COMPANY MEETING:
Inn Business, Crooked Billet, Ham Green, Kingswood, Bucks., 11.00
BOARD MEETINGS:
Finals:
Beattie (James)
Clinton Cards
Dewhirst
Moss Bros
Oasis Stores

■ THURSDAY
APRIL 8

COMPANY MEETINGS:
Cakebread Robey, 318-326, Southbury Road, Enfield, Middx., 11.00
Tribune Tst, 155, Bishopsgate, E.C., 12.00
BOARD MEETINGS:
Finals:
Policy Master
Laird
Silentnight
Swallowfield
Tempus

■ FRIDAY
APRIL 9

COMPANY MEETING:
St Modwen Properties, Ironmongers Hall, Barbican, E.C., 12.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

هكذا من الاصل

INSIDE TRACK

PROFILE ANGEL CORCOSTEGUI

Man of detail with a big vision

The chief executive of Spain's largest bank believes the industry's merger mania is unstoppable, writes **Tom Burns**

Most Saturday afternoons for the past three years, Angel Corcóstegui has gone to a Madrid country club for a one-hour golf lesson. What is odd is that he has yet to play a round of golf. Stranger still, he is in no hurry to do so.

"The truth is I'm fascinated by the technique," says the chief executive of Banco Santander Central Hispano, the euro-zone's newest merged bank and its third largest in terms of market capitalisation. "I like getting to the bottom of things."

Friends of Mr Corcóstegui, a Bilbao-born, Jesuit-educated teetotaller who will be 48 this year, are not surprised by his obsessive interest in the finer points of swinging a golf club.

"He is a master of detail and he programmes himself," says one friend who first met him more than 20 years ago when they were both working on Wall Street. "If he has one fault it is his inability to relax."

BSCH combined Banco Santander, which was Spain's largest bank, and Banco Central Hispano, the third largest. The merged entity commands 17 per cent of domestic loans, 18 per cent of deposits and 23 per cent of Spain's booming mutual funds market.

He views the merger plans of France's Société Générale and Paribas as belonging to the natural order of things. The subsequent hostile bid for that tie-up by Banque Nationale de Paris was the sort of move that chief executives of euro banks must learn to expect. The scramble to be big, he says, has become unstoppable.

"If you want to be a financial services player in the euro-zone, you must have a strong domestic base, which means a 20 to 25 per cent market share of your home territory, and you need a market capitalisation of between \$40bn and \$50bn," he says.

He resents suggestions that mergers represent defensive moves. "This business is about giving the best service at the lowest cost and the only way you can lower the cost to income efficiency ratio is through economies of scale."

Mr Corcóstegui is convinced that national banking mergers in the euro-zone will gather pace until 2002 "which is when people will actually have euros in their wallets". But he believes such ventures will represent only the first of three concentration phases: just as soon as there is a true euro-consumer and real euro-market, phase two, involving cross-border mergers within the euro-zone, will begin.

He sees his task now as preparing for phase two because he believes BSCH and other euro heavyweights will draw the euro-zone banking map between them. His starting point is a network of cross-share arrangements between BSCH and Royal Bank of Scotland, Italy's San Paolo-IMI, Société Générale, Germany's Commerzbank and Banco Comercial Português.

But he is already thinking about an even larger playing field. "Phase three will involve great euro banks and great US banks seeking transatlantic mergers."

Mr Corcóstegui, who buys management books galore every time he visits New York, is fired by such prospects. "I am the sort of manager who likes large, complex projects. I want to understand the whole organisational base of big corporations."

He talks about eliminating bureaucracy and about "the beauty of integrating the whole with a clearly defined vision that is very sensitive to the human factor".

He is also keen on "creating baskets of business". At BSCH there are three:

- The core banking business in Spain
- The group's industrial assets
- Its large financial services franchise in Latin America.

Mergers suit his widely admired intellect and they clearly challenge him. His enthusiasm reflects a long acquaintance with banking mergers. He has learnt how to fight off unwanted takeovers, how to cement friendly unions and how to rescue faltering alliances.

By the time Mr Corcóstegui was headhunted by Banco Vizcaya in 1987, he had spent 10 years in the US. He had earned a doctorate in finance from Wharton, done a stint at the World Bank, and worked at Chase Manhattan, where he rose to become chief economist.

The year after he joined Banco Vizcaya, he masterminded its successful resistance to hostile overtures by the Kuwait Investment Office. He was at the centre of the bank's subsequent merger with Banco Bilbao, another Basque bank, to create BBV, the largest bank at the time in Spain.

In 1994 he left BBV to become chief executive of Banco Central Hispano, which was reporting tumbling profits. Mr Corcóstegui drew on reserves to provision BCH's damaged loan portfolio, slashed its dividend pay-out and took two years to stem the bank's income haemorrhage. In 1997, as BCH recovered its earnings momentum, he was appointed executive vice-chairman and heir-apparent to José María Amusátegui, the president.

"Angel's strength is his ability to have a very clear concept of where we are and where we are going," says a colleague who has worked closely with Mr Corcóstegui at BCH. "He has an extraordinary ability to communicate his strategy and he does this calmly, without pressure, encouraging and supporting everybody involved."

When Mr Amusátegui began secret merger negotiations late last year with Emilio Botín, Santander's chairman, neither had any doubts that Mr Corcóstegui, although the CEO of the smaller of the two banks, was the ideal candidate to run the sum of their parts.

Mr Botín, 64, whose father and grandfather also presided over Santander, will co-chair BSCH with Mr Amusátegui until 2002, when the latter will stand down to leave Mr Botín as sole chairman.

Perhaps by then the cool, calculating Mr Corcóstegui will have played a full round of golf. He will certainly have excellent company: Mr Botín is a golf fanatic, and one of his daughters is married to Severiano Ballesteros.

'I am the sort of manager who likes large, complex projects. I want to understand the whole organisational base of big corporations'

A degree in civil engineering might explain Mr Corcóstegui's linear approach to life. He expressed a core belief last month when he pep-talked nearly 2,000 managers of Banco Santander and Banco Central Hispano at a "happy-to-meet you" senior staff convention that marked the \$35bn (£21.8bn) merger.

"Whatever cannot be measured doesn't exist," he told the BSCH troops.

"Take quality of service, because we are in the business of providing financial services and service is therefore of capital importance," he explained. "It either exists or it doesn't, and you can measure it by marking off from one to 10 whether the client is getting efficiency and speed, smiling, personalised attention, a clean environment and so on."

Such firmly held ideas matter because Mr Corcóstegui is in the driving seat of an institution that stole a march on the merger fever that has gripped European banks since the launch of the euro in January.

Essential Guide to Angel Corcóstegui

Born: Bilbao, Spain, 1951.
Family background: the Corcósteguis have been ophthalmologists in Bilbao for six generations. His father, two uncles and two brothers are all eye surgeons. "When I was a kid, talk at home was about cataracts," he says.
Academic qualifications: BSc (civil engineering) Santander University, PhD (finance) Wharton College, Philadelphia.
Employers: World Bank, Chase Manhattan, Banco Vizcaya, Banco Bilbao Vizcaya, Banco Central Hispano, Banco Santander Central Hispano.
Working hours: 08.00-22.00 (includes a business lunch). Likes to be home by 22.30 for a family dinner. Takes reports home at weekends and works on them on Sunday afternoon/evenings.
Bolt hole: an old country home in Santander which he bought in 1987 and is still rebuilding. He spends August there reading the business books he has accumulated during the year and 19th-century novels. If invited to the country retreat in winter, wrap up: "I haven't been able to afford central heating yet," he apologises.
Don't ask about: Ana Patricia Botín of the Santander banking dynasty and eldest daughter of BSCH co-chairman Emilio Botín. She resigned as head of the group's wholesale finance unit after a magazine article said she was the power behind the throne and tipped her to succeed her father. Aides tell you to avoid the subject.

TECHNOLOGY ID CARDS

Passport to maximum security

Judy Dempsey on an Israeli company's high-tech approach to producing ID documents

When Moshe Gold unlocks the thick, main door to Supercom's headquarters at Kfar Saba, near Tel Aviv, he knows that there is nowhere that he can hide from his colleagues.

The small electronic device that scans Mr Gold's ID card on entry will record his movements throughout the day. Information fed into a computer will show what time Mr Gold arrived at the office and in which room he is working at any time.

And just in case there are any doubts about the whereabouts of Supercom's chief financial officer, small cameras and extra sensory devices throughout the building track his movements. Some of the cameras are visible. Others are not.

Supercom prides itself on its in-house security. This is hardly surprising, since this small Israeli high-tech company which specialises in producing national identification documents is fast becoming a player on the world market.

The company cannot afford breaches of security. For it is its ability to provide maximum security with maximum flexibility and speed that has persuaded governments ranging from China and Hong Kong to Slovakia and Britain, to hire Supercom to supply them with ID cards, passports or national driving licences.

Enhancing security has become big business, especially following the end of the cold war. But while civil liberty groups believe big brother is invading the privacy of the citizen, western governments see it differently.

They have become increasingly anxious to maintain border controls on the flow of drugs and laundered money, while new countries that have emerged from the collapse of the former Soviet Union have been grappling with setting up new institutions, especially ones designed to combat crime and the Mafia.

Manfred Mandt, vice-president for the national security solutions division at Siemens, the German conglomerate, believes such a market to create secure national identity cards is potentially worth about \$30bn as governments want to know who is living within their borders. In Venezuela alone, says Mr Mandt, about 70 per cent of all ID documents are either forged or duplicates.

Against such a background, Supercom, over a decade old, believes it has the track record and experience to make ID cards much more secure. Indeed, Siemens recently joined forces with Supercom to provide the Brazilian government with passports, largely because the Israeli company was flexible, unbureaucratic and had the technology.

"We can supply governments with a turnkey project," explains Eli Rozen, Supercom's president and founder. "But more important, we can respond to their needs. We offer an integrated package, providing the manufacturing, software and training, as well as providing up to 17 security elements in one durable ID document."

For example, some driving licence ID cards are made from a PVC plastic that can easily break, be forged or disintegrate after two years of wear and tear. What Supercom has devised is a card combining polyester and polyethylene materials that can last up to 10 years.

Among the seven layers of a typical Supercom ID card, which can transmit information without making physical contact with a sensor, is a tiny chip. Inside the chip is information that national governments have requested for inclusion in the ID card. Not only can the information be updated – the ID can become a smart card containing a separate health insurance ID, driving licence, credit and cash card – it also contains additional security features. These include an invisible photograph of the original card holder that can only be seen by a special scanner. That photograph is also stored in the government or relevant agency's computer.

"In any case, if there is any attempt to erase the information, the card is destroyed. It becomes worthless for the forger," says Avi Landman, Supercom's R&D manager. And that, he adds, is one of the company's main selling points.

To dent markets dominated by its main competitors – International Business Machines, Unisys, Lockheed and De La Rue – Supercom wants to expand its research and development division and increase marketing. It even has its eye on the US. But for this it requires more capital – it had revenues of \$17m in 1997.

This month Supercom intends to make an international public offering to raise about \$30m on Easdaq, the Brussels-based European stock exchange for small companies.

But Mr Gold insists the company would resist any takeover attempts, being anxious to retain its flexibility and integrated network of specialists.

BUSINESS TRAVEL MEDICAL EMERGENCIES

The heart of the matter

Airlines are beginning to carry defibrillators to treat cardiac arrests, but the issue is a controversial one, says **Farrol Khan**

The sudden death of a relatively young business traveller following a mid-air heart attack has cast a spotlight on what medical equipment airlines should carry on board.

Stephen Somes, a 37-year-old investment manager, was taken ill on a United Airlines flight from Boston to San Francisco in October 1995. Three doctors who were also on board, including a specialist in emergency medicine and an emergency medical technician, tried to help him, but without success.

The aircraft's on-board medical kit did not contain a defibrillator – a shock machine to restart the heart – or other equipment or drugs to treat a cardiac condition.

It is estimated that about 1,000 passengers die as a result of heart attacks on aircraft worldwide each year, but only a handful of airlines carry comprehensive medical kits to deal with cardiac arrests.

Mr Somes' widow is suing United in Massachusetts for not providing the equipment on board that might or might not have saved his life.

United applied for the case to be dismissed, arguing that it needed Federal Aviation Administration approval before it supplemented or substituted items in medical kits. It also suggested that the FAA, and not the airline, was responsible for addressing the health and medical needs of the passenger. But Judge Morris Lasker ruled that the case will go to trial by jury later this year.

"We are pleased with the result," says Ronald Kidd of Robinson, Donovan, Madden and Barry, the US lawyers acting for the widow. "United was aware that a high percentage of such deaths were cardiac-related and that its emergency equipment was inadequate to deal with these emergencies. It was very frustrating for the doctors who opened the emergency kit to discover that it was of very little practical value."

United has declined to make any comment on the case for legal reasons.

British Airways recently announced that it would be equipping 250 long-haul aircraft with defibrillators. The airline will also provide a link between cabin staff, trained to handle the machines, and ground-based medical staff. The equipment, the airline says, will reduce the need to ask passengers with medical knowledge to volunteer in the case of illness.

"We applaud the decision of leading airlines to install defibrillator programmes," says William Gaillard, director of corporate communications of the International Air Transport Association.

"This is one more quality item for passengers who can only benefit from it. However, we do not envisage that this policy will be carried out worldwide because of liability and training issues."

The reaction of the International Air Passengers Association (IAPA) is more cautious. "It can't be a bad thing if it saves a life," says Hans Krakauer, senior vice-president of the association.

"But how much value is it if it is used by unskilled cabin crew? It is not only a defibrillator but other things involved. On a wide-bodied jet with 350 passengers, you really need aeromedical technicians. I hope that the airlines are not using this development as an excuse for not introducing them."

According to George Tompkins, a US lawyer whose New York practice Roseman & Colin represents airlines, the installation of defibrillators is a big mistake. It increases the public's expectations and airline liability may rise, he says.

Alex Wolbrink and Donato Borrillo, in a recent paper in Aviation Space & Environmental Medicine, indicate that even if airlines invest in these machines, which cost \$3,000 (£1,900) each, and train cabin staff to use them, "relatively few lives may be saved".

Qantas has had defibrillators on all its aircraft since 1991 and has used them in 27 in-flight cardiac emergencies. Of the six passengers experiencing ventricular fibrillation – for which the machines are designed – only two survived. "The availability of rhythm monitoring enhanced medical care," says Dr Eric Donaldson, the airline's medical director, "and improved information on whether to divert or not."

The Aerospace Medical Association suggests it would be far more effective to inform passengers of the 10 cardiovascular conditions that are high-risk. They include angina, myocardial infarction and hypertension. Passengers would therefore be able to make an informed decision about whether or not to fly.

'On a jet with 350 passengers, you really need aeromedical technicians'

BUSINESS EDUCATION EUROPEAN SCHOOLS

Getting to grips with quality

Accreditation has thrown into relief how Europe measures up with North America, says **Della Bradshaw**

European business schools lag behind their US counterparts in academic research and the integration of technology in teaching methods.

But they do shine in their international perspective and are world leaders in distance learning techniques, according to one of the most in-depth assessments of European management education to date. It was conducted by the European Federation for Management Development (EFMD), the European business school trade body.

The publication of the research follows the completion of the first round of EFMD's accreditation process. So far 17 schools have been accredited and three have failed the process.

More than just a critique of the state of play in European business schools, Equis (the European quality improvement system) is a sign that Europe is finally getting to grips with the issue of quality in management education.

Many of Europe's best known deans have been pushing through the scheme, including Antonio Borges from Insead, Carlos Cavallé from Iese in Spain and Wil Foppen from the Rotterdam School of Management.

Although most countries have their own accreditation organisations, EFMD was late in producing a European-wide system. One of the big stumbling blocks was how to inject the international element that would make the accreditation process more than just a mirror of the local assessments, says Michael Osbaldeston, chief executive of Ashridge management college in the UK and vice-president of EFMD.

Only the threat of the American AACSB moving outside its traditional North American boundaries to accredit business schools, and the push by the Association of MBAs in London to accredit continental European schools, persuaded the EFMD to set up the Equis project in 1997.

Today, the EFMD is largely positive about the idea of working with the two other organisations to conduct joint accreditations, says Gordon Shenton, project director of Equis. "There is a demand on the part of the schools to do this." Earlier this year the AACSB and the Association of MBAs conducted a joint accreditation of Warwick Business School in the UK.

More important to Mr Shenton is the fact that the Equis system has received such a positive response from European schools. "We're very pleased to see that there has been a good, solid take-up of the system."

So far 17 schools have been accredited under the scheme and three have been audited but were not accredited: two French schools, the Groupes Ecole Supérieure de Commerce in Reims and Grenoble, and the International Executive Development Centre in Slovenia.

A further 27 schools have been accepted for the audit process, including three in the UK: Aston, Cranfield and Henley Management Centre.

But EFMD is not restricting itself to Europe: one of the schools is from Australia, the Monash Mt Eliza Business School, and a second from Canada, HEC in Montreal. Some US schools have also expressed an interest in Equis.

As part of its quality improvement remit, EFMD has also started a scheme for schools that are too young or small to apply for full accreditation. The joint European Chinese business school in Shanghai, the CEIBS, is one of the participating schools.

Just as notable as the accreditation is EFMD's acknowledgement of many of the problems that European business schools face. It has openly benchmarked European schools against US ones.

In some areas, notably research, European schools acknowledge they are lacking. "But even if all the major schools feel this is true – that there is a deficit – the European schools are questioning the US model," says Mr Shenton. "We feel more applied research is more applicable."

The adoption of technology to help teaching also receives a pasting in Europe, but EFMD acknowledges that the UK leads the world in distance learning technology.

A further big issue for European schools is how to internationalise faculty. In particular, they have to deal with the demands placed on faculty to teach in English as well as the native language of the school.

Overall, the picture of the European business school scene is one of diversity, says Prof Borges. "The challenges are even bigger in Europe than they are elsewhere. Europe is a less mature and a smaller market than North America. There is more variety and more models of business schools, from universities to management centres and corporations."

New schools from the traditional powerhouse universities, such as the Said school in Oxford and the Judge Institute, in Cambridge, are moving forcibly into the market. In central and eastern Europe schools are opening all the time.

Because European schools are younger and relatively unstructured in their approach, many are vulnerable, says Prof Borges. "They may not last for ever: they have a very mobile faculty." On the other hand, European institutions have enormous flexibility and are more market driven, he says.

Prof Cavallé concludes that age is the biggest factor hampering European schools. "We only need time in Europe. Then I think we can beat them [US schools]."

LUCY KELLAWAY

Developing a sustainable level of waffle

Here we go again, another hare-brained idea as big companies try to convince us they really do have a heart

"We must build, but we must build surely. I say this to you, in the future that is to come..."

I was reminded of Peter Sellers' platitudinous speech by an internal memo sent recently to Shell Expro staff by their managing director.

The subject was sustainable development, the big idea that has been seized upon by frumpy multinationals in an attempt to convince us that they are good, modern corporate citizens.

Shell has made a lot of noise about sustainable development, and last month launched a \$25m (£15.5m) media campaign entitled Profits and Principles to tell the world all about it. The point of this memo was to explain to staff what it meant for them.

"To me, sustainable development is actually very much about business," it said. "It is not about having our head in the clouds, or about pretending to be something we are not ... Sustainable development is one expression of how we make our core purpose (of helping people build a better world) a practical reality."

After a page and a half of this waffle, the memo got to the point and asked: what is sustainable development? The answer was that it is "about balance and integration ... It is clear we are on a journey and not aiming at a known end point. For Shell this journey is part of our transformation to become 'top performer of first choice'."

Yes, yes. But what on earth are the poor staff meant to do about it? According to this memo, everyone should ask themselves such questions as "what do those around me understand about sustainable development?", which strikes me as being a touch circular.

There is only one serious question about sustainable development – how it works in practice. What do you do when interests clash? According to Shell's policy statement, "Our Aspirations Our Commitments", the company will "evaluate the economic, environmental and social impact of our options and strive to get the balance right in our decisions".

Everyone clear, then?

* * *

I dare say you think you are a great listener. The more senior you are, the more attached you will be to this view. Yet the chances are that you talk the whole time and have never put your listening skills to the test. And even if you have the self-control to shut up every now and again and let the other person have their tedious, irrelevant, unoriginal say, your facial expression is almost certainly giving you away.

So let me share with you this tip I have just picked up from *Time to Think* by Nancy Kline. Compose your face into an expression that says: "You are good. I am interested. I am not in a rush. Keep going." Now freeze that expression. Stop reading this article and go over to the mirror.

I apologise if the result was so bad as to spoil your Easter weekend. I did try it myself, and was not at all amused at what I saw. According to the author, you should keep looking until you find an expression you would like to talk to. Once you have hit on this perfect look, Ms Kline instructs you to use it with caution. What you should really be is yourself. Or as she puts it, "your truly, interested, respectful, fascinated self".

Some time ago I went on a communication course and was told to blink more and not to be quite so threatening with my chin. I tried to reposition my chin and blink. I managed it for half an hour or so, but found it all-absorbing. Listening at the same time would have been out of the question.

* * *

It may not be possible for us to change our faces, but is it possible for companies to change their cultures? The consensus is that not only is it possible but essential. Companies that cannot change will die.

Not according to Nobuyuki Idei, the president of Sony. In an interview with Fortune magazine last week, he expressed a view that implies the entire cultural change industry might as well shut up shop.

"A company's corporate culture doesn't really change," he said. "Our corporate DNA has been the same since the age of Sony's founders."

You could say his attitude will be the company's undoing. But I wonder if he isn't on to something. Companies are like faces. You can put on make-up, have plastic surgery. But there are some bits of the way people behave in companies, the way they work, that for practical purposes are best left alone.

lucy.kellaway@FT.com

Sellers: sustainable development 'in the future that is to come' AP

NEWS FROM CAMPUS

Insead launches search for new dean

Antonio Borges, dean at Insead, near Paris, has said he will quit in just over a year, and the school is setting up a search committee to find his replacement, who will take up the post in September 2000.

Insead is one of the few business schools in the world that could appoint a dean of any nationality.

Eighty-six per cent of its faculty are from outside France, and the largest nationality group is American. There are 23 different nationalities represented among the faculty.

Prof Borges may stay at Insead in a faculty position but the smart money is on his returning to his native Portugal to follow a political career.

Insead: www.insead.fr

Wharton names flagship building

Wharton, the business school at the University of Pennsylvania, is to name its proposed \$120m flagship building Huntsman Hall after the founder, chairman and chief executive of the Huntsman Corporation, Jon M Huntsman.

He gained an undergraduate degree from Wharton in 1959 and today serves on Wharton's Board of Overseers. He and his family have given more than \$50m to Wharton over a number of years.

Wharton: www.wharton.upenn.edu

Once more unto the boardroom

Cranfield University school of management has linked with Shakespeare's Globe theatre in London to develop short programmes that combine theatre techniques with more traditional approaches to management development.

The initiative will be managed at the Cranfield end by the school's Praxis Centre, which specialises in using unorthodox methods to promote personal development.

In June the partnership will explore leadership through William Shakespeare's Julius Caesar and in July leadership and Henry V will be on the agenda. The programmes will be directed by Richard Olivier, the theatre director and visiting fellow at the Praxis Centre.

This is not the first time that Shakespeare's Henry V has been employed to help managers develop their leadership skills.

For some years the Stern school at New York University has been using the Kenneth Branagh film of the play in its executive MBA programme.

Cranfield: www.cranfield.ac.uk/som

Sloan appoints chairman for centre

The Sloan school at MIT has announced the new chairman of the MIT Entrepreneurship Centre.

He is Edward Roberts, professor of the management of technology and a pioneer in research into entrepreneurship, and his plans for the centre will focus on four areas: expanding the faculty; more courses; a broader research programme; and more involvement from other MIT departments.

Sloan: http://web.mit.edu/sloan/www/

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673; Fax 44 171 873 3950

BUSINESS EDUCATION HUMAN RESOURCES

On course for a holistic approach

PwC, the giant professional services firm, has introduced a postgraduate diploma course for consultancy staff in response to what it regards as an increasing overlap between human resource management and other disciplines, such as tax and pensions planning and overall business strategy.

The part-time course, designed to bridge the gap between specialisations, has been devised with the Manchester School of Management at Umist. It is the school's first such course devoted to a single customer.

Graham Ward-Thompson, PwC training partner, says the firm wanted to create a wider understanding of human resource issues, but it could not find a course that suited its needs. "If a company wants to devise a rewards scheme for its staff, for example, there is an increasing need for us, as advisers, to understand and link with other areas such as share option schemes, tax planning or employment law. We wanted to be able to take a more holistic view."

To test their ideas, PwC and the management school brought together a group of staff with different specialist qualifications.

"They knocked lumps out of each other," says Mr Ward-Thompson. "The human resources person took a more holistic approach but the others wanted to do their individual bit." It was a "painful exercise in some ways", he says. But it underlined the need for specialists to take a wider view and to set human resources within the context of business strategy and other issues that impinged on staff planning.

This September, 30 PwC students start the new diploma, following a pilot course that started last year. The course comprises 39 study days over 18 months and is accredited as a postgraduate diploma by the UK's Institute of Personnel & Development.

"It represents quite an investment for us, perhaps as much as £1m in terms of course costs and study time," says Mr Ward-Thompson. "But our staff will gain a better understanding of human resource issues and we think it will give us a competitive edge." The course examines such issues as the retention and development of staff through training and reward schemes.

Sheila Jones

OPENINGS

LONDON

The music of Abba is the premise of London's latest musical, *Mamma Mia!*, opening at the Prince Edward Theatre tomorrow night. Music and lyrics are by Benny Anderson and Bjorn Ulvaeus; Phyllida Lloyd directs.

London's latest *Hamlet* is Paul Rhys, who played both Edgar in *King Lear* and the young Housman in the premiere of Tom Stoppard's *The Invention of Love* at the National Theatre during 1997. The production, directed by Laurence Boswell, opens on Wednesday at the Young Vic.

NEW YORK

On Wednesday at Avery Fisher Hall, the Lincoln Center Jazz Orchestra with Wynton Marsalis will join Kurt Masur and the New York Philharmonic for a centenary celebration of Duke Ellington. The programme includes Ellington's arrangements of Grieg's *Peer Gynt* Suite and arrangements by Marsalis of several Ellington works. It is repeated on Friday afternoon and Saturday and next Tuesday evenings.

The Howard Davies production of Eugene O'Neill's play *The Iceman Cometh*, which originated at the Almeida Theatre in London, opens on Broadway on Thursday at the Atkinson Theatre, with its star Kevin Spacey, (far right) and several newcomers, including Robert Sean Leonard and Tony Danza.

LOS ANGELES

The Ensemble InterContemporain begins a tour of US universities on Thursday with a concert in the

Schoenberg Hall of the University of California. Repertoire includes Elliott Carter's *Clarinet Concerto* (Alain Damiens) and Boulez's *Derive 1*, and there will be masterclasses at each venue. The conductor is David Robertson.

EDINBURGH

The National Gallery of Scotland has organised an exhibition of master drawings from its own collection (left). Opening on Wednesday, the show includes work by Ingres, Rubens, Turner and Leonardo, as well as the British, Flemish and Dutch schools.

HAMBURG

Luigi Nono's *Al gran sole carico d'amore* receives a rare staging this month at the Staatsoper. It is

generally considered one of the most challenging and in some quarters, unstageable works of modern music theatre. Ingo Metzmacher conducts, Travis Preston directs. The first night is on Sunday.

Safe hands: Hugh Douglas Hamilton's painting of Canova working in his studio was in danger of leaving the country when the Lottery Fund refused to give £335,400 to safeguard it. The National Art Collections Fund raised its contribution and the work is now at the Victoria & Albert

Wetlands are in, Watteaus are out

With new guidelines due on how UK lottery money is to be spent, **Antony Thorncroft** assesses the effects

When the UK National Lottery was launched, Lord Rothschild, who had been appointed chairman of the Heritage Lottery Fund, was ecstatic. With millions pouring in each year to shore up the heritage, no longer would the country face the steady erosion of its artistic treasures abroad. He envisaged the day when he could go to a Sotheby's auction in New York and, with the fund's chequebook, actually repatriate lost works of art to the UK.

Four years later it all looks very different. One of Rembrandt's greatest late paintings, a portrait of an old man, is being sold by Lord Camborne to a Dutch collector, and the directors of the nation's leading art museums can only wring their hands.

Alan Howarth, the UK arts minister, has given them three months to mount a campaign to raise the £9.3m value placed on the painting, but they know it would be useless. They can expect no help from the Heritage Fund, which has set aside just £5m a year to help in the acquisition of works of art. This is part of the Labour party's policy of spreading lottery money more widely and concentrating the cash for museums on widening access rather than on acquisitions.

The Conservative government showed little interest in how the lottery millions it had spawned were spent and so Lord Rothschild could set about saving his heritage, sometimes controversially: the fund's first grant, of more than £13m to save the Churchill papers, backfired badly.

At that point the battle lines were drawn between the art establishment, which wanted to hang on to every masterpiece (and many minor pieces) even if it meant paying substantial sums to rich families, and the sceptics who wondered whether the millions playing the lottery considered such spending a "good cause".

Since the arrival of Labour there has been a profound shift in the priorities of the fund, masterminded by Chris Smith, the UK culture secretary. Next month a new set of guidelines will be announced by Eric Anderson, the fund's chairman, which will further reflect the buzz words "access", "community" and "environment".

The fund is to become strategic: for example, the former coalmining areas, which lack grand houses and museums, will benefit through cash directed towards their places of worship. Local heritage schemes, townscapes and areas of natural beauty will take precedence over works of art. Wetlands are in; Watteaus are out.

Anderson also has less financial room for manoeuvre. The creation of another good cause, the New Opportunities Fund, has reduced the money available for heritage from £300m to nearer £230m a year. But he is mainly reflecting the government's agenda: the benefits from the lottery should trickle down to as many of its players as possible.

The fund can argue that museums have done exceedingly well. Of about £1.22bn committed to date, they have received £529m, or 43 per cent of the total. The British Museum, the Museums on Merseyside, the Victoria & Albert, the National Maritime Museum, the National Portrait Gallery, have all received millions of pounds to fund structural overhauls.

This munificence has had the effect of gagging museum directors. Having received such vast sums in the recent past they dare not squeal too loudly for extra money for acquisitions.

No such inhibitions affect the National Art Collections Fund, the charity which suddenly finds itself the first, rather than the last, port of call for museums seeking cash. That fund now claims 120,000 members, and the extra subscriptions mean that its money available to help museum acquisitions has risen to £3m a year, close to the Heritage Fund's allocation, and more than the £2.5m which the National Heritage Memorial Fund, the traditional guardian of the nation's heritage, now receives from the UK government.

What makes David Barry, director of the NACF, angry is that so much of the changed policy has been introduced by stealth. Take the Memorial Fund. Its guidelines to applicants clearly state that it would provide grants for items that

The creation of another good cause has reduced the money available

"are at risk of being sold abroad, developed, damaged or lost". In supplementary information it has dropped the export risk as a condition for aid.

There is also the matter of quiet dissuasion. Just as the museum directors have been silenced, so the voice of the export reviewing committee on works of art is muted. In its report for 1997-98 it pointed out that of the 26 items that it recommended should have their export licences deferred to give museums in the UK time to raise matching sums, only 12 were retained, or 46 per cent.

Ten years ago, before the lottery, half the items that had their licences deferred usually stayed in the UK. In 1996-97, the fund contributed less than £500,000 to help retain objects selected by experts as of national importance. The committee reported the facts but is reluctant publicly to criticise the fund. The expectation that, with the lottery, no masterpiece would ever be lost to the nation again now looks hopelessly naive.

In the real world, in the view of the average voter, museums have not done too badly. The £48m which has gone into acquisitions in four years is less than the cost of one Van Gogh at auction, but is welcome new money. If there is a choice between giving £7m to help acquire Stubb's "Whistlejacket" for the National Gallery, or use the same money to help 100 local heritage groups safeguard the parish church or the village hall, the majority will favour the many. The cost of saving "Whistlejacket" blew the whistle on future large grants to preserve art, at least in the short term.

If the art world expected more from the lottery then it was out of touch with political reality.

There is hope. "We are fully aware of the problem and would like to spend more on acquisitions," says Anderson.

The government has promised to pump up the money for the memorial fund to £5m a year, and the acceptance-in-lieu scheme, under which works of art stand in for tax, has just brought Van Dyck's portrait of Abbé Scaglia permanently into the National Gallery. The fund has contingency money, and if there were a national outcry over the Rembrandt, over the Beckett casket, then it might rally round. But the painting has not been seen for generations and the UK has two comparable late Rembrandt male portraits.

In the future, the lottery's support for works of art will be smaller scale and with a regional emphasis. Lord Rothschild's dream is already over. The lottery has failed the heritage lobby: what is perhaps worse is that it has deprived it of its innocence.

Tragedy and farce

PARIS THEATRE

NICHOLAS POWELL

L'Avare
Chaillot

If ever a troupe deserved its name, it was Jérôme Savary's Grand Magic Circus. Between 1968 and 1987, this travelling company produced about 20 outrageously innovative and loosely scripted shows, from *Zartan, Tarzan's Unloved Brother* to *Cinderella or Class Struggle*. Mixing acrobatics, clowning, music, real and fake animals, they packed out circus tents and theatres throughout Europe, attracting the scorn of all but the most far-sighted of critics.

After an indifferent spell in recent years, the old magic has returned in Savary's latest production, which has just opened at Chaillot – Molière's *L'Avare*, a tale of pathological tight-fistedness in which potential tragedy is transformed into farce by a mixture of commonsense, ruse and love.

The acting is first-rate: Jacques Sereys in particular as Harpagon, the title-role miser, is unfailingly funny in vocal and facial expression, while Frosine, the procuress (Catherine Jacob), usually played as an old frump, is young, physically alluring and very effective. The four young lovers, meanwhile, often played as insipid, really seem to love and lust after each other.

Within a semi-abstract period set designed by Savary, the very wide Chaillot stage is cluttered with such symptoms of maniacal penny-pinching and acquisitive greed as empty jerry cans, vacuum cleaners (for the loose change) supermarket trolleys and distressed armchairs. The extravagant stage business always complements the text.

True, the dénouement of *L'Avare*, the *deus ex machina* arrival of Anselme, the long-lost father of Mariane and Valère, the lovers of Harpagon's son and daughter, is long and laboured. But with the inspector's portable typewriter catching fire, and Frosine reappearing dressed as a Breton peasant woman, eating crayfish and oysters, no one notices. Just as Harpagon, reunited with his money, cannot see the play's last, beautiful image, two brides in white dancing in a circle behind him.

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: programme combining the Dutch premiere of Acts of Light by Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C; Apr 6, 8, 9

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Shakudo: display of Asiatic objects highly popular in Europe and imported in large quantities by the Dutch East India Company; to Apr 5

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber. Apr 10

BERLIN

CONCERT
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Staatskapelle Berlin: conducted by Daniel Barenboim in works by Beethoven and Wagner, with soloists including tenor Jon Villars; Apr 5

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Matthäus-Passion: Christopher Hogwood conducts Johann Bach's and Felix Mendelssohn's score; staged by Günther Uecker, Götz Friedrich and Dietlinde Calsow; Apr 8, 10

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
High Renaissance in the Vatican: Art and Culture at the Papal Court (1503-34). The early 16th century saw Papal Rome establish itself as the centre of art in Europe: the Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael. This exhibition displays some of the masterpieces that resulted, as well as detailing the contexts in which they were produced; to Apr 11

BUDAPEST

EXHIBITIONS
Hungarian National Gallery
Tel: 36-1-375 7533
Jozsef Rippl-Ronai: most of the 250 pieces depict this famous Hungarian post-impressionist's hometown, although it also includes forays into decorative arts. His first exhibition since 1961; to Sep 6
Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: the ceramics of the Zsolnay factory in Southern Hungary are said to rank alongside Tiffany glass. Shows 200 objects from jewelry to architectural ornaments produced by the factory which was founded in 1853; to Sep 27

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on piano, Katharine Gowers and Lucy Jeal on violin; Apr 6

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● Glenn Miller Orchestra: conducted by Ray McVay performing wartime classics; Apr 10
● Orchestra of the Age of Enlightenment: this period instrument ensemble makes a welcome return starring Nathalie Stutzmann (contralto) and directed by Catherine Mackintosh in works by Corelli and J.S. Bach; Apr 6
Queen Elizabeth Hall
Tel: 44-171-960 4242
Camerata Academica: in works by Mozart, with violin soloist Isabella Faust, and viola Tabea Zimmermann; Apr 7
Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Vladimir Ashkenazy in works by Bernstein, Gershwin, and Rimsky-Korsakov; Apr 7

EXHIBITION
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Patrick Caulfield: major retrospective of the British pop artist; then touring in Europe and the US; to Apr 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 9
● Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveaux's production; Apr 7, 10

LOS ANGELES

CONCERT
Music Center: Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Hans Vonk and featuring Lars Vogt on piano in works by Webern, Mozart, and Schubert; Apr 7, 10, 11

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Marc Chagall: Jewish Traditions. 40 paintings by the Russian-French painter, produced between 1909 and 1976. They detail Chagall's progression through such styles as Expressionism, Cubism and Surrealism; to Apr 11

NEW YORK

CONCERT
Pierpont Morgan Library
Tel: 1-212-685 0008
Collection in Concert: From Bach to Berg: featuring John Aler (tenor), Krista Bennion Feeney (violin), Michael Kannen (cello) and directed by Laurie Smukler and Ira Weller; Apr 8

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Our New Clothes: Acquisitions of the 1990s: presented by the Costume Institute. Focuses on themes such as American Heroes which highlights designers Geoffrey Beene, Calvin Klein, and Giorgio di Sant'Angelo; from Apr 6 to Aug 22

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Giulio Cesare: returns to the repertory with John Nelson conducting and Jennifer Larmore in the title role. Production by John Copley, sets designed by John Pascoe, and costumes by Michael Stennett; Apr 10
● Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 6, 9
● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina; Apr 7, 10

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 8, 11

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
New Japan Philharmonic: Hiroshi Wakasugi conducts in works by Alban Berg and Kurt Weill; with Mari Midorikawa and Michio Tatara as soloists; Apr 5

DANCE
NHK Hall
The Royal Ballet: the British company's tour opens with Swan Lake; Apr 11

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood; Apr 6, 9

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● *CNN International*
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

MARTIN WOLF

Blair's model

The UK prime minister will have to struggle to preserve his island of liberal capitalism within the European Union

Tony Blair, the UK prime minister, professes to be an evangelist for the Anglo-Saxon style of economics. Since the party he heads opposed every significant reform introduced under Margaret Thatcher and John Major, this represents a conversion as remarkable as St Paul's on the road to Damascus. But even if Mr Blair believes what he says, he may fail to preserve his island of liberal capitalism within the European Union.

Many on his political side would argue he should not try: continental capitalism is, they insist, the more successful and civilised alternative. But that argument is not as persuasive as two decades ago: Anglo-Saxon economies are now performing at least as well as their rivals.

The chart reveals the picture on growth. Since their most recent cyclical troughs, the Anglo-Saxons have been growing more quickly than the three continental European members of the Group of Seven leading economies and Japan (which is excluded from the chart, because it has had no sustained recovery).

One explanation for the relatively good Anglo-Saxon performance in the 1990s could be that the growth started after deeper recessions. But this is not so.

According to the Organisation for Economic Co-operation and Development, "output gaps" – the deviation of actual from potential output as a proportion of potential output – were 1.9 per cent in the US, 2.5 per cent in Canada, 2.7 per cent in the UK and 4 per cent in Australia, at their respective cyclical turning points. By comparison, the gaps were 0.6 per cent in Germany, 2.6 per cent in Italy and 3.5 per cent in France. Only Germany, with its small gap, and Australia, with its large one, fit the hypothesis.

Good Anglo-Saxon growth performance is also no flash in the pan. Between 1982, the starting point of the previous economic cycle for the G7 as a whole, and the end of last year, US gross domestic product rose 66 per cent, while the GDPs of the UK and Canada both increased 54 per cent. Meanwhile, West German GDP rose 43 per cent, French GDP 40 per cent and Italian GDP 36 per cent. True, Japan's GDP expanded 55 per cent, but three-quarters of this had occurred by 1990.

Unemployment rates in the four Anglo-Saxon countries are also lower than those in the continental European countries. Even Japan's misleadingly low figure of 4.6 per cent of the labour force is higher than that of the US. Moreover, in 1997, the proportion of the population aged 15 to 64 employed in the Anglo-Saxon countries ranged from 66 per cent in Australia to 71 per cent in the UK and 74 per cent in the US. For comparison, it was a mere 51 per cent in Italy, 59 per cent in France and 64 per cent in Germany.

Ah bliss! No longer am I obliged to explain poor British performance. But this is more than just a personal relief. The Anglo-Saxon combination of faster economic growth, lower unemployment and higher employment is intrinsically extremely attractive.

This does not mean Germany's version of the social market economy – to take the most appealing alternative – lacks enviable features. It has several: high average standards of living; a relatively equal distribution of income and earnings; and the excellent quality of public goods. Even so, there are three good reasons why the UK should not dream of imitating it.

First, Germany's growth and employment performance has been deteriorating markedly over the decades.

Second, its economic model may already be doomed. This depended on sustaining long-term implicit bargains between players who thought themselves tied to one another over the long term. But the internationalisation of German business is, inevitably, cutting the ties that bind companies, workers and government together.

Finally, the UK lacks the values, institutions and habits necessary to make corporatist consensualism work, even if it wanted to do so. Whether or not more consensual and more regulated sorts of economy can function satisfactorily elsewhere, these are most unlikely to succeed in the UK. Its only hope is a more individualistic approach – one with modest regulation and taxation, openness to trade and investment, intense internal competition and corporate control exercised in the interests of shareholders.

Fortunately, the evidence suggests that such Anglo-Saxon economies can at least match (or, in the case of the US, even surpass) the performance of the rest. If, as now seems likely, the UK experiences no more than a brief slowdown before growth resumes, this should further encourage Mr Blair in his struggle to protect and promote what he inherited.

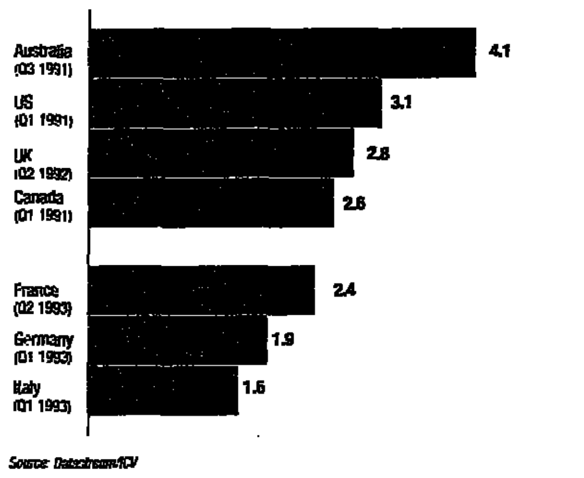
The question is whether he will. The introduction of a national minimum wage at a level significantly higher, in relation to average earnings, than that of the the US is a disturbing signal. A still bigger mistake could be the decision to put the UK within the purview of an EU employment policy that is determined by qualified majority voting. Should Mr Blair fail to convert the rest of the EU to flexibility, there could be many costly regulations to follow those on the working week.

The more liberal Anglo-Saxon economies are, it seems, working relatively well. Mr Blair is right to want to keep the UK in this broad camp. Unfortunately, he may not succeed.

Martin.Wolf@ft.com

Triumph of the Anglo-Saxons?

Compound GDP growth since latest cyclical trough (% a year)



Source: Datastream/ICV

LETTERS TO THE EDITOR

True picture of the state of Chiapas

From Mr Santiago Oñate.

Sir, Your article "Mexico's Zapatista guerrillas embark on publicity offensive" (March 26) provides an incomplete picture of the situation that prevails in Chiapas.

Your article deals mainly with the unofficial "referendum" organised by the Zapatista National Liberation Army (EZLN) and its supporters. It does not reflect the consistent efforts carried out by President Ernesto Zedillo's administration to solve the political and social problems of the state of Chiapas and of its population.

As President Zedillo recalled in his weekly radio message of March 20, during the past four years health services in Chiapas have been enlarged and improved. During this period, more than 500,000 people have gained access to health services. Today the people of Chiapas are able to use more than 1,000 medical units and more than 2,000 local clinics.

A direct result of this is a significant reduction in illness. While in 1995 more than 1,500 cases of cholera were registered, in 1998 not a single person suffered from it. And child mortality has dropped by 40 per cent.

In a similar way, education services for the children of Chiapas have been expanded. In four years, more than 4,000 schools have been built and over 10,000 teachers have been incorporated into them. The government has acquired more than 500,000 acres of land and distributed it to nearly 60,000 families.

These are a few examples of a consistent effort directed towards the solution of the social and economic problems that for centuries have afflicted the people of Chiapas. None of these was taken into account in your article.

Moreover, contrary to what your article implies, President Zedillo and his party, the Institutional Revolutionary party (PRI), have presented to Congress a proposal to recognise fully and expand the legal rights of the indigenous population and to secure a new constitutional arrangement between the federal government and indigenous communities.

The proposal is the result of an open process of public hearings and consultations and, yes, notwithstanding some misconceptions. It incorporates the so-called San Andres agreements.

The solid basis for a long-lasting peace and development has been patiently built by the government and those sectors of civil society engaged in the solution of the problems that lie at the bottom of the Chiapas conflict, more than in ephemeral electoral publicity.

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Blame institutions for over-valued stocks

From Alpesh B. Patel.

Sir, Is online trading a leviathan for the markets, requiring vanquishing by crusading financial knights of the US Securities and Exchange Committee and the Federal Reserve?

The recent comments of Arthur Levitt, chairman of the SEC, suggest so. His remarks follow concerns expressed by Alan Greenspan, the Fed chairman, that the US market is overvalued, with many stock valuations unjustified by earnings or profits. Stocks they have in mind would probably include Yahoo! Microsoft, Amazon.com and AOL.

The source of the over-valuation is generally blamed on the parallel rise in internet trading and especially day-trading. There is a perception that day-traders are wildly and ignorantly betting on stocks like gamblers in a casino, and need regulatory protection from themselves. They are seen as adding to market gyrations and volatility as they chase stock prices.

However, Mr Levitt and his ilk are misguided. The online trader is not to blame for market ills perceived by the regulators. In the UK, according to Charles Schwab, the average online trade is for £1,000. While this figure would be larger in the US, small private investors trading online cannot significantly move share prices with small quantities of money in relatively liquid stocks.

It is the institutions, which with their vast reserves of cash cause markets to move. It is their faith in the internet stocks that has elevated them to their current levels, because it is they who continue to buy or to hold and not sell at current price levels. If one examines the ownership of most of the "over-valued" internet stocks, it is the institutions that have the most money in them.

If they do not sell the stocks at the prevailing market price, they must believe the stock is going to relatively outperform other investments. Consequently, blaming the small guy is phoney.

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Betting on the pound

From Mr John Pitts.

Sir, Alan Beattie, in his article about the relationships between the pound, the dollar and the euro, refers to the belief that the current unusual stability in the sterling/dollar exchange rate is related to the synchronisation in the patterns of economic growth in the two countries ("Pound and dollar may soon reach a parting of the ways", March 30). He wisely refers also to sceptics who do not think that the relationship is very significant. The graph of economic cycles illustrating his article appears to provide strong evidence that it does not exist.

The graph covers nearly three decades. It shows that from 1971 to 1983 the synchronisation of the growth cycles was very close. Thereafter, the synchronisation has been significantly less close, and for the last few years the pattern has been quite odd. Those of us with long memories know that for much of the 1980s the exchange rate fluctuated remarkably. In the winter of 1980-81 it reached about $2.4 to the pound. In the middle of the decade it had fallen to half that level. The long period of close synchronisation of the pattern of economic growth had therefore been followed by a period of volatility for the exchange rate. It appears now that a period of weaker synchronisation is being followed by a period of greater stability for the rate – quite the reverse of what the "analysts" are reported as believing.

Perhaps the truth is that the pound is predominantly a punters' currency and punters follow fashion for a time until they get bored with it.

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Aerial attack: US soldiers load an F16 with bombs at the Aviano base in northern Italy in preparation for another raid Reuters

PERSONAL VIEW CARL BILDT

Time to send in troops

Air power will never be sufficient and Nato must urgently launch a campaign on the ground in Kosovo in order to limit the carnage and allow refugees to return

Once again we see disaster in the Balkans. For a few years after the Bosnian peace agreement, it seemed possible that the forces of peace would prevail. Now the entire region seems to be heading for turmoil and conflict.

A war that no one can win is being fought in Kosovo. Nato can never triumph over Serbia by relying solely on air power. The Yugoslav army can never beat the Kosovo Liberation Army guerrillas, so long as the KLA continues to move stealthily among the people of the province. And the KLA will in the foreseeable future be no match for the firepower of the Yugoslav army. The KLA guerrillas will be overrun once they engage Yugoslav forces in the open.

For Nato, the situation is grave. No experienced independent military observer believes that Nato can win a war over Kosovo without deploying ground forces. History gives no examples of victories won solely from the air. It is only by controlling the ground as well as the air that a military power can defeat an enemy and decide the political fate of the territory in question.

In many quarters, there was a belief that Slobodan Milosevic, the Yugoslav president, would cave in and capitulate after a few blows. Questions of what might happen if he did not were never really addressed.

But the evidence was there to be seen. Nato itself reported the build-up of Yugoslav forces in and around Kosovo.

It was obvious to any experienced observer of the scene that if Nato was to attack in the air, Milosevic was going to attack on the ground. The usual logic of escalation applies to the Balkans without exception. The belief that Milosevic would capitulate easily was a massive miscalculation, with horrible human consequences.

By restricting itself to air operations, Nato is minimising the risks to its airmen and soldiers, but increasing the risks to the Kosovo Albanians it was supposed to protect. There is serenity around the air bases in Italy. But Kosovo is turning into a killing field.

Kosovo Albanian political leaders, who were wined and dined around European capitals only last year, are now running for their lives. We do not know if some of them are still alive. It is more than just a tragedy.

References to the International Tribunal on war crimes in former Yugoslavia to stop the carnage have scant credibility on the ground. No one has yet been indicted for what Franjo Tudjman, the president of Croatia, did in Krajina, nor for what Milosevic is now doing in Kosovo. And more than three years after being indicted by the Tribunal, Radovan Karadzic, the Bosnian Serb leader, is still at large in Nato-controlled Bosnia.

Now, air operations are said to be focusing increasingly on targets in Kosovo. But the effects on the goals of the operation remain uncertain.

If Nato succeeds in bombing the Yugoslav army into just ravaging bands of revenge-seeking soldiers, there is every reason to fear that the carnage on the killing fields of Kosovo will increase. The thirst for revenge will drive Serbs and Albanians alike to even more horrible acts.

The belief that Milosevic would capitulate easily was a massive miscalculation

We are probably heading towards the worst humanitarian disaster in Europe since the Bosnian war. A million refugees during the month to come is a real possibility. The situation is horrible beyond description. The effects of this enormous wave of refugees will be profoundly destabilising throughout the region.

There is no good outcome to this conflict. But to avoid the worst, it is now a moral imperative for Nato to launch a ground campaign into Kosovo. There is simply no other way to limit the carnage on the ground and make it possible for the refugees to return home.

This is rapidly emerging as the key aim of the Nato campaign. It cannot be achieved by air power alone.

A ground campaign will be demanding and difficult. But I am convinced the Yugoslav army will run rather than fight. An air campaign can never defeat an army, but it can thoroughly demoralise a ground force.

Whatever happens next on the military front, a long-term confrontation with Serb nationalism throughout the region will have to be faced. That Rubicon was crossed when Nato started to bomb Belgrade.

Long-term attempts at stability in the region are now a shambles. For now, the short-term catastrophe must take priority. But later, there will be the need to rebuild a strategy for the entire region.

The Rambouillet process will be difficult to resurrect. The Dayton process is seriously endangered. Macedonia is gravely threatened. There is a storm warning from the southern border of Slovenia to the northern border of Greece.

The author is a former Swedish prime minister and international peace envoy to Bosnia.

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Monday April 5 1999

No way to pick a leader

The search for a successor to Renato Ruggiero as director-general of the World Trade Organisation is turning into a shambles. Months of discussion appear to have reached deadlock, while relations between WTO members have become embittered by recriminations, factionalism, accusations of dirty tricks and mistrust. Their unedifying conduct threatens to damage the organisation and diminish the very post they seek to fill.

The WTO is emerging as the principal law-maker and policeman for a global economy. Its effectiveness depends crucially on the director-general acting as guardian of the multilateral system, pathfinder and deal-broker. Whoever performs that role must command full confidence that he represents fairly all members' interests.

The job's few formal powers make vision, political adeptness, persuasiveness and personal authority of paramount importance. These are the criteria by which WTO members gauge the performance of directors-general, and on which the choice should be based. Yet there is scant evidence that the two candidates left in the race, Supachai Panitchpakdi of Thailand and Mike Moore of New Zealand, are being assessed on their individual merits.

Many governments' attitudes seem influenced more by regional affiliations and the myopic perceptions of national self-interest that the WTO exists to hold in check.

Transparency

Part of the problem lies with the consensus principle by which the WTO operates. This ensures all members are fully committed to agreements, once reached. But it does not make for transparency or quick decisions. Furthermore, the institutional cohesion which consensus is supposed to cement is being strained by unnamed countries' threats to veto candidates they disapprove of.

Such tactics risk handing the job to the candidate who causes the least offence, rather than to the one with the strongest support. That is how the hapless Jacques Santer became president of the European Commission. It is a sorry precedent that the WTO should avoid at all costs.

But the US and the European Union must also bear responsibility for the current mess. The last time the WTO appointed a director-general, they paralysed proceedings for months by digging in stubbornly behind different candidates. This time, the situation is reversed. Both have shrunk from expressing firm preferences.

Deep divisions

Ideally, the US and EU should now seek to break the logjam by uniting behind one of the two candidates. But deep divisions between EU governments make that improbable. The only way out of deadlock then might be to draft in a tie-breaking candidate or establish an emergency committee with a mandate to make the choice.

These would be radical measures. But they may be needed to avoid a serious political vacuum at the top of the WTO after Mr Ruggiero steps down in a month's time. That would leave the organisation adrift, in the face of a mounting array of important challenges. They include preparing for a new trade round, resisting the growth of protectionist pressures, above all in the US, and preventing its increasingly frequent trade disputes with the EU undermining the multilateral system.

Tackling this agenda requires strong and effective leadership. The overriding priority for WTO members must be to set aside their petty differences and agree as quickly as possible on the individual who can best provide such leadership. They need to recognise that prolonged further delays – or settling on a weak compromise candidate – would entail huge risks.

Not only would it be much harder for the multilateral trade system to move forward. It could start sliding backwards. The credibility of the WTO, and of its members, is now on the line.

Next steps for Brazil

Brazil has in the space of a few months dug itself out of an economic hole. The government is regaining credibility in international capital markets after the currency collapse at the turn of the year. It has resolved the immediate fiscal crisis, capital has started to flow back into the country, the bottom of the recession is in sight, and the stock market is rising fast.

To hold on to that hard-won credibility, the Brazilian authorities need to build the foundations of a durable revival. What are their chances of success?

They have made a start, but the hardest part is yet to come. President Fernando Henrique Cardoso has confounded sceptics by delivering the emergency tax rises and spending cuts promised to the International Monetary Fund in return for last November's $41.5bn loan. His government is well on track to deliver, on target, a 3.1 per cent primary budget surplus – before interest payments – this year.

Partly because of this, inflation has risen less than was expected – to 0.8 per cent a month – following the devaluation of the real in January and it is set to peak lower and earlier than expected, some time in the second quarter. This has allowed the central bank to cut interest rates by three percentage points to 42 per cent, giving relief to an economy that is expected to shrink by 4 per cent this year before picking up next.

Now that those emergency fiscal reforms are behind him, Mr Cardoso is turning his attention to a longer term fix. He has warned that now is not the time for the government to relax, a message he will repeat on his tour of Europe this month.

Entrenched interests

He is right to do so. The emergency measures relied mainly on tax rises. Now he will have to turn to the harder business of making cuts in spending. That will mean facing down powerful entrenched interests in Brazil's sprawling central and local government bureaucracies.

To that end, Mr Cardoso has put his personal weight behind plans to push through a bill this year to fine public officials guilty of overspending. That should bolster confidence in Brazilian fiscal rectitude.

But it is not enough. The fiscal responsibility bill will only curb, not cut, public expenditure. And Mr Cardoso sees no chance of agreement on deeper tax reforms until at least next year, though he does plan to start discussions on this issue. Those reforms need to eliminate costly overlaps in federal and state responsibilities for health and education, enlarge a tax base which falls disproportionately on lower income taxpayers, and close multiple tax loopholes.

Unpopular overhaul

The government should resist any temptation to delay what will be a complex and unpopular overhaul of the tax system. It should also take this opportunity to make substantial cuts in spending on Brazil's bloated civil service. It has made a start by increasing civil servants' pension contributions, but this is only the margin of a bigger problem.

Mr Cardoso's cautious approach is understandable. It derives from the need to weave political compromises at home, within his diverse coalition and between the federal government and powerful regional governors. His skill at this is a political strength. But markets are less patient, and for good reason. General government debt still stands at 50 per cent of gross domestic product. This is the main cause of Brazil's high interest rates, which only add to the deficit in the form of high debt service charges. Pressure on the government will increase to put that debt on a consistently declining trend so that interest rates can continue to fall.

With the crisis under control, a long-term solution to Brazil's fiscal problems is essential. If Mr Cardoso's team fails to deliver this next stage of reform, the economy could slip back into the hole from which it is emerging. In that event, the shock to the world's financial markets could be greater than that inflicted by Brazil's previous crisis.

Still poles apart

James Kynge and Tony Walker examine the frosty relations between Washington and Beijing on the eve of the Chinese premier's US visit

Zhu Rongji, China's premier, is no stranger to tough assignments. Disgraced twice during his early career, he spent years doing hard labour on a farm. As premier, he has set himself the Augean task of overhauling China's crumbling state industries and near insolvent banking system within just three years.

But even for a man of his undoubted skill and determination, the challenge for Mr Zhu as he prepares to travel to the US tomorrow is formidable. The first Chinese premier to visit Washington in 15 years arrives when relations between two of the world's most powerful countries are in crisis.

Feelings in Washington are agitated by a range of disagreements, including allegations of Chinese spying at US nuclear laboratories, Beijing's hefty prison sentences for dissidents, diplomatic discord over Kosovo, China's vehement opposition to a proposed US-led missile shield in Asia and, of course, a Chinese trade surplus with the US that ballooned to $57bn last year.

This is more than just another bad patch in a periodically prickly co-existence. Officials on both sides fear these disputes might presage a deeper change for the worse. At issue is whether the US and China may one day turn from being strategic competitors into enemies.

Conscious of the importance of his trip to Washington, Mr Zhu says his mission is to "cool down" American tempers.

"He is walking into a snakepit," says David Shambaugh, a leading US China watcher who visited Beijing last week.

In Washington, a senior administration official describes the visit in equally stark terms: "We are on the cusp in terms of our long-term relations with China. This is a watershed moment and the success, or otherwise, of Zhu's visit will help determine the course of the relationship for years to come."

Friction between the world's only superpower and Asia's emerging giant is nothing new. But what is different this time is that pressing national security concerns have called into question the very policy of engagement that has dominated relations for the past 20 years.

"The US doesn't know who its enemy is after the collapse of the Soviet Union and China quite frankly offers a lot of criteria for such," says Mr Shambaugh, director of the Sigur Center for Asian Studies at George Washington University.

Recent developments have done much to heighten alarm. A House panel headed by Republican Christopher Cox has concluded that US national security has been endangered by China's legitimate and illicit attempts to gain access to US technology with military applications, particularly missile technologies derived from the launches of US satellites.

Even more serious are allegations that a Taiwan-born Chinese, Lee Wen Ho, helped China miniaturise its nuclear warheads by passing to Beijing secrets he stole while working at the US nuclear weapons laboratory in Los Alamos, New Mexico.

In addition, US administration officials say Washington is perturbed by China's accelerated deployment of missiles to an area across the strait from Taiwan, an island that Beijing regards as a renegade province and threatens to attack if it formally declares independence.

From China's perspective, however, it is the US that has grown belligerent. A senior official in Beijing says Washington's recent proposal to deploy a theatre missile defence (TMD) shield (which is not yet developed) in Asia would have "extremely serious consequences", especially if its umbrella were extended to protect Taiwan. "Let us say that if the US was to give TMD to Taiwan, we would not have any more bilateral relations. It is as simple as that," says the official. "If it gives TMD to Japan, it would shift the geopolitical balance in the region and would start a new arms race."

The passions felt by both sides over security issues are intense. They may be raised yet higher during Mr Zhu's trip by the two sides' utterly opposed positions on Nato's bombing of Yugoslavia. If Nato intensifies its air strikes during Mr Zhu's visit, it will be difficult for the Chinese premier not to denounce them in front of his US hosts – risking a public row.

Mr Zhu, compared with his somewhat stilted colleague Jiang Zemin, the president, is an accomplished communicator. But he is travelling to the land of the soundbite and his endeavours to win over US public opinion may be handicapped by the fact that US and Chinese positions are poles apart on issues including China's repressive rule in Tibet and poor human rights record.

Mr Zhu's assertion recently that none among the Chinese dissidents living in the US would be any good at governing China might appeal to a domestic audience. But, if repeated, it could further inflame attitudes in an already hostile US Congress.

With tempests brewing, Washington and Beijing are expected to resort to a familiar formula that has guided them through squalls in the past; emphasising the commercial common sense in continued good relations.

China last month unveiled significant deals for US companies, including the approval for the sale of US-developed CDMA mobile phone technology in China that may benefit Motorola and Lucent Technologies, a gas pipeline deal worth $400m for Enron, a power plant contract valued at $454m and the purchase of 10 Boeing 737s worth a total of $400m. Mr Zhu may also announce more market access concessions such as licences for US banks and insurance companies during his trip.

But beyond individual deals, there is one possibility that could in the end make Mr Zhu's visit successful – the chance of an agreement on China's accession into the World Trade Organisation (WTO) after 13 years of trying. While a full-scale agreement is unlikely during the visit, there remains some hope that a form of framework accord may be announced, or at least a statement commiting both sides to search for a deal before the new round of WTO talks starts at the end of the year.

> 'The US doesn't know who its enemy is after the Soviet Union's collapse and China offers a lot of criteria'

Considerable progress has been made in the past month in narrowing differences on a number of market access barriers for US companies in China in financial services and telecoms. But officials acknowledge that problems remain in agriculture, distribution and other sectors, which are holding up a deal.

But importantly, what does seem to have changed in past months is that China has become genuinely interested in WTO accession and is willing to make concessions to secure it. "We need to be in the WTO, as long as the terms of entry are reasonable. This decision has been taken by the top leaders of government, not just Zhu Rongji," says one Chinese trade official.

Chinese officials say Beijing's new-found eagerness for accession to the WTO has arisen partly from a sharp recent decline in foreign investment and other deepening economic woes. Officials say an agreement could help to attract a new wave of foreign investors that would derive comfort from the WTO conditions of reducing tariff and market access barriers in a structured, transparent manner over a fixed period of time.

Failure to reach demonstrable progress on the WTO may remove the only real chance the summit has of being regarded as a success. But the White House may still be able, given a passable public performance by Mr Zhu, together with a scheduled agreement on environmental protection and new deals for US business, to claim that its policy of engagement is continuing to bear fruit.

In any case, the current prickliness of the US-China relationship is balanced by the lack of any viable alternative to engagement. "We don't have the luxury of not dealing with China. Like it or not we are going to have to," says Stanley Roth, assistant secretary of state for East Asian affairs, in a testimony before Congress.

According to Mr Roth the goal of engagement is "straightforward": it is trying to facilitate China's "integration into the global economic system as a normal country and one that sees itself as a responsible international player".

North Korea is the most urgent problem on which the international community would welcome a helping hand from China. Kenneth Lieberthal, senior director for Asian affairs at the national security council, makes the point that China's co-operation is crucial to efforts to prevent its neighbour from developing nuclear weapons. North Korea, Mr Lieberthal says, represents "the single biggest threat to stability in north-east Asia".

The costs of alienating Beijing could be heavy. So far, it appears to have abided by international agreements against nuclear proliferation, nuclear tests and has shown a willingness not to sell missile technology abroad.

On the economic front, the US has valued China's co-operation, particularly its pledge not to devalue the renminbi, its currency, since the Asian financial crisis hit last year. Mutual hostility may serve to test such promises.

Overshadowing these economic considerations, there is a strategic worry: a possibility that ruptured US-China ties may drive Beijing into other undesirable alliances. "The demonisation of China [by the US] is pushing China and Russia closer together," says Jia Qingguo, professor at the school of international studies at Beijing university. "We have less and less political space. There is an undercurrent pushing China and the US to become more like enemies."

A senior Chinese official says the basic level of trust that has existed for 20 years between the US and China has kept the lid on Beijing's military spending, allowing resources to be channeled toward an economic development that has benefited everyone, including US investors.

If that trust evaporates, Beijing may be forced to re-arm more quickly. Mr Zhu and his Washington hosts will this week be playing for high stakes. Fortunately, they know it.

OBSERVER

Giuliani's got zero tolerance

Rudolf Giuliani, New York's mayor, is still under siege after the police shooting of an unarmed young immigrant from Guinea. The mayor could be forgiven for steering clear of all things gun-related.

So the mayor's plans to visit the Shooting Gallery in Greenwich Village today to open the Gun For Hire centre might look like a case of bad timing.

But Observer's relieved to learn the gallery is an independent film studio. Giuliani and Henry Kravis, the leveraged buy-out legend and chairman of the New York City investment fund, will be unveiling nothing more sinister than a production and post-production facility that hopes to drag some of the action away from the west coast.

Let's hope the publicity doesn't misfire.

Hurrying Huntsman

ICI could be forgiven for getting a bee in its Easter bonnet. The chemicals colossus is desperate to shed some of its debt and offload its remaining bulk chemicals operations.

But just as it came within a whisker of striking a $2.8bn deal, Huntsman, its most fervent suitor, scuttled off home to Salt Lake City.

So why did the Huntsman crowd go home? One reason was Easter. Jon Huntsman and his family – he and his wife Karen have nine children and 39 grandchildren – are practising Mormons.

They've made their religious principles abundantly apparent in the past with large donations to causes ranging from cancer research to relief for victims of the 1988 earthquake in Armenia.

But the Easter break also allowed the large, family-run business to withdraw tactically, leaving ICI to stew for a few days.

Huntsman's renowned for striking a hard bargain and picking up assets on the cheap. Unluckily for ICI, almost as soon as it put its bulk chemicals division on the block in 1997 most of it began to lose value as the Asian crisis sent commodity chemical prices spiralling downwards.

That's not much comfort for Sir Ronnie Hampel, the ICI chairman who's masterminded the group's daring transformation into a speciality chemicals concern. He'd like to be able to step down at the April 22 annual meeting on a high note, after 43 years at the group. For his sake, the Mormons had better get a move on.

Way out

Cecil Rhodes may be just days away from the removal van.

More than a hundred years ago, the grand old man of British colonialism set up the Rand Club in Johannesburg as a den for drinking, plotting and cutting deals.

But this month the club will vote on whether to join the middle-class flight from the city centre. If it goes, so will the statue of Rhodes that welcomes the well-to-do in what the club says is the longest bar in Africa.

The club's always been a plush place – and in the old days that meant excluding non-whites and Jews while making sure that female guests (they could never be members) used the lift rather than the sweeping central staircase. Now the club embraces the movers and shakers of the new South Africa.

The club's management wants to shift the statues, the hunting trophies and all the other "office park environment" accessories. What Rhodes would have thought of that is anybody's guess.

Mr Clean

It's an odd sort of journey to move from running an ancient estate to supervising street-cleaning machines, but a grand old man of German manufacturing is glad someone has made it.

For 15 years, Tyll Necker, a former president of Germany's federation of industry, has been hunting for a helpmate to take his place at the top of the family industrial cleaning firm. The job in question is chairman of Hako, a company with sales of some DM500m. And Necker has finally found his man.

For several years Sonnfried Weber has been sorting out the estate of the Margrave of Baden-Baden, one of Germany's most splendid aristocrats.

Now Weber is headed for Hako, leaving behind worries about paintings, property and wine production. Let's hope he keeps his nose clean.

Monastic mixers

Fundraisers everywhere take note. A group of Franciscan friars from San Francisco has sent out an appeal for $11m for the "seismic retrofitting" of their church, Saint Boniface.

Judging that a congregation in the "economically challenged" Tenderloin district will be unable to stump up the full amount, they have turned to monthly events called Margaritas at the Monastery to draw in outside donors.

Campaign director Toni Doyle says one atheist parted with a very substantial gift after a glass or two, but assures Observer: "This is a place of spiritual as well as physical nourishment."

The evenings of monk-mixed cocktails appear to be working. So far they have raised $6m for the San Franciscan Franciscans. Try saying that after a couple of drinks.

The Financial Times

100 years ago

Emigration From Ireland

Emigration from Ireland showed no signs of abatement last year.

According to the statistics to be presented to Parliament, 33,865 persons, or 7.5 per cent of the population, in the middle of the year left the country, being an increase of 959 compared with 1897.

It would appear, however, that the natives of Ireland are showing less desire to leave their homes, as the number of emigrants born in the country shows a decrease of 294 compared with the number in 1897.

The States continue to be the favourite destination, with 27,835 people leaving for that country last year.

50 years ago

Investment In Germany

It is confirmed that the British and American military governors have reached agreement on the proposal to lift the ban on foreign investments in Germany.

The proposals have already been submitted to the British Government, and they were studied at the Foreign Office yesterday.

They will also have to be ratified by the Government of the United States.

FINANCIAL TIMES
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THE LEX COLUMN

Microsoft mirage

Microsoft's share price has more than doubled since the US government filed its anti-trust suit last May, outperforming the stock market by a massive 80 per cent. It strengthened further last week on settlement talks between the software maker and the Justice Department. Yet these talks are unlikely to get anywhere. And the case has been going badly for Microsoft. So what is going on?

Some investors are simply ignoring a lawsuit that will not produce a ruling until early 2000, even before any appeals. Others are still betting that Microsoft will win, or get away with little more than a slap on the wrist. In the meantime, they argue, the group continues to churn out profits and cash at a prodigious rate. That is true, but dangerously naive.

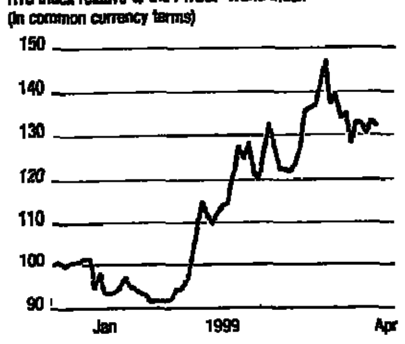
More likely, Microsoft will lose. In that case, either its behaviour will be sharply curtailed by, say, imposing price controls or stopping it from integrating new features into Windows. Or the company will be restructured, up to and including a full break-up – perhaps foreshadowed by its own recent reorganisation into five divisions. Break-ups can, of course, release value. But Microsoft is neither undervalued nor undermanaged. Fundamentally, the point of this trial is to break Microsoft's stranglehold on the computer industry. That must, in the end, affect its bottom line, however determined investors are to stick their heads in the sand.

Russia

The wheel is spinning nicely once again in the casino of Russian capitalism. Tempted? In the first quarter of 1999, those who gambled on the illiquid Russian stock market were well rewarded: up by one third, it is among the world's best performing markets. Nor have capital gains been eroded by significant foreign exchange losses. The rouble hovered around 25 to the dollar during the quarter.

Its 75 per cent devaluation in the second half of last year has not yet sparked hyper-inflation. Russian exporters are more competitive again, government revenues will be boosted by the rising oil price, and the International Monetary Fund is poised to resume lending. So all is well, then?

Russia
RTS index relative to the FT/S&P World index
(in common currency terms)



Source: Datastream/ICV

In fact, investors would be mad to succumb to such siren voices. The minuet with the IMF over a new round of funding to save Russia from national bankruptcy is pure posturing, given that the budget is a work of fiction. With central bank reserves at a three-year low, last summer's domestic debt default is increasingly likely to lead to comprehensive external default. Russia may want sovereign and commercial creditors to write off 75 per cent of outstanding Soviet-era debt in the hope of keeping its Russian eurobond debt sacrosanct. But just because the IMF has compromised itself by lending to Russia for political reasons does not mean private investors should lose their shirts too.

Sterling

Can the pound emerge from the shadow of the dollar and make a dash for the shelter of the euro? For two years sterling has stayed in a tight range against its Anglo-Saxon partner while swinging wildly against the D-Mark and euro. Hardly the ideal preparation for a smooth glidepath into European monetary union. The pound has attached to the dollar largely by force of habit rather than for any fundamental economic reason. So it should not take much for the market to start treating the pound as the currency of the next member of the euro-zone, rather than that of the 51st state. The projected slowdown in the UK's economy this year, while the US keeps powering ahead, could easily be enough.

But this raises another, rather more complex, problem. The more sterling moves up and down with the euro, the more the market will regard its current range as indicating the entry level for Emu. The pound is now trading at about 67p to the euro, or DM2.92 in old money.

This looks perilously close to the DM2.95 rate which savaged the UK economy in the early 1990s. Persuading the already sceptical British public of the virtues of monetary union with sterling at that level could be even trickier. A devaluation of about 10 per cent would be more palatable, probably entailing a decoupling from the dollar. If US and UK interest rates move in opposite directions this spring, that could be a first step.

Cable and Wireless

Is the smell of singed fingers hanging over Cable and Wireless? The telecommunications group's decision to sue MCI WorldCom over last year's purchase of its US internet transmission business is on the surface worrying. The $1.75bn deal – which catapulted C&W into the internet big league – was trumpeted as one of Dick Brown's biggest coups in his brief reign as chief executive. Now, with lawsuits flying around just eight months later, the fear must be that C&W has bought a pup.

In fact, this seems unlikely. C&W has not put a figure on the damages sought. But excluding any punitive element, these are not thought to exceed tens of millions of dollars. This is no black hole. The lawsuit's real purpose is to put pressure on MCI WorldCom, which was forced to sell the business for competition reasons. It is accused of backsliding on transfers of customers and staff – specific conditions imposed on the sale. By going public, C&W is alerting the authorities to this. Of course, C&W's accusations may be off-beam. But if not, the case is likely to be settled quickly.

Nonetheless, the market's poor reaction – lopping nearly 3 per cent off the shares – is evidence of its mistrust. C&W is now trading at nearly 40 per cent less than the sum of its parts. The group's complexity is to blame. Until this is addressed, investors will continue to undervalue C&W's successes and punish even the hint of failure.

MISSOURI REFERENDUM IS FIRST TO BE HELD ON CONTROVERSIAL ISSUE

'Show Me' state may show the way on concealed guns

By Nikki Tait in Chicago

Missourians could vote tomorrow to make the "Show Me" state the first to legalise concealed weapons by popular demand.

Under the high-profile and controversial referendum proposal, permits could be granted to anyone over 21 who has not been convicted of a felony and can pass a 12-hour course in hand-gun safety.

Applicants would need to be US citizens, and resident in Missouri for at least six months. County sheriffs would have the right to deny any application not deemed suitable.

Although about 30 states already allow their citizens to carry concealed weapons with a permit, Missouri is the first in which the idea has been put to a binding referendum, and all indications are that the vote will be a close one.

The result will be closely watched throughout the country as a measure of sentiment after a year in which new forces have appeared in the long-running political battle over gun controls.

Some of the nation's big cities have been putting pressure on gun-dealers and manufacturers through legal actions seeking huge financial damages during the past 12 months, while proponents of "gun-rights" have fought back by intensifying their efforts in other areas.

Millions of dollars are estimated to have been spent on advertising campaigns surrounding the Missouri measure, for example, with heavy backing coming from the National Rifle Association.

Charlton Heston, the Hollywood actor who is president of the NRA, has lobbied in favour of the measure, calling it "safe, sane, sensible reform".

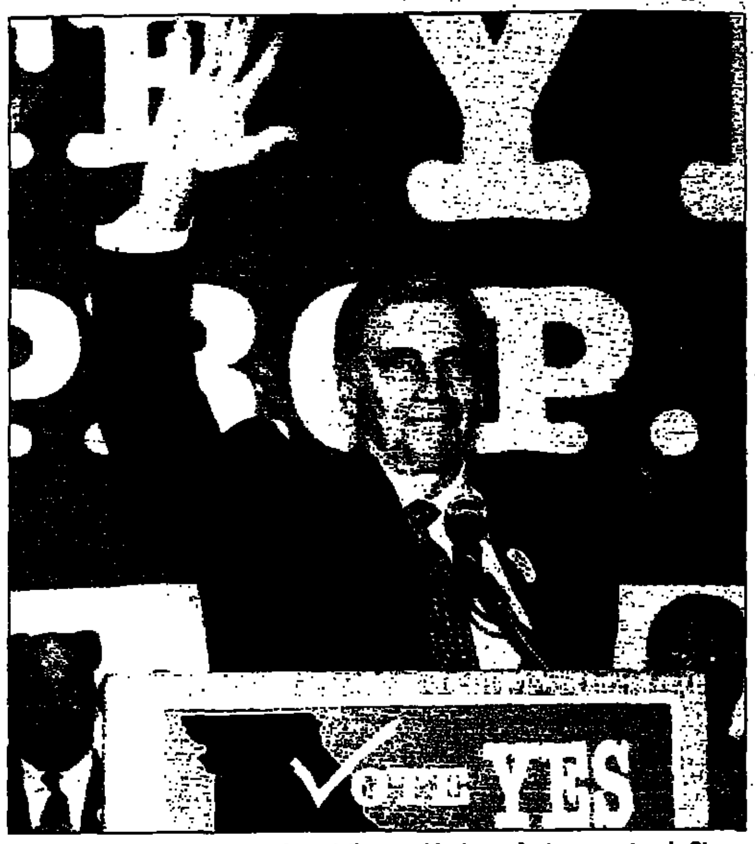
Anheuser-Busch, the biggest beer manufacturer in the US and based in St Louis, has also been supportive, saying that it is in favour of "individual freedoms" and the constitutional right to carry arms.

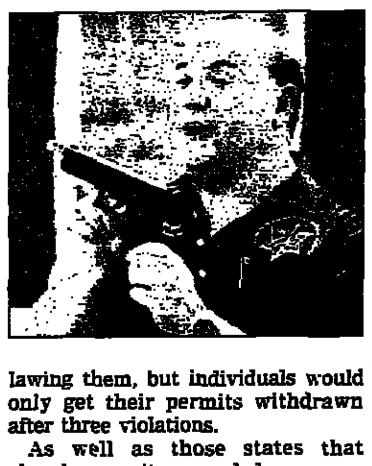
But there has also been strong opposition from other elements of the business community, including some of the state's big sports franchises such as the St Louis Cardinals and Kansas City Royals baseball teams, who are worried that guns could be brought into stadiums.

The proposal does not explicitly ban guns from sporting venues. It does allow teams to post signs outlawing them, but individuals would only get their permits withdrawn after three violations.

As well as those states that already permit concealed weapons, another dozen or so will grant permits if applicants can demonstrate a clear need – for example, because they are transporting money.

Most states currently prohibiting the carrying of a concealed weapon are based in the Midwest, and the list includes heavily-populated Illinois and Ohio.





Charlton Heston, National Rifle Association president, speaks to supporters in St Louis. Below, Lt. Troy Templet teaches civilian students proper handgun use AP

An initiative similar to Missouri's was recently pulled off the legislative agenda in Nebraska and appears unlikely to be put to a statewide ballot in the foreseeable future. However, another effort on the weapons issue is still brewing in neighbouring Kansas.

The outcome of tomorrow's vote is hard to predict. One recent poll taken by the Kansas City Star showed that 42 per cent opposed the measure, while 39 per cent were supportive. Another survey, done for the St Louis Post-Dispatch in late-March showed 53 per cent in favour; 34 per cent opposed; and 13 per cent undecided.

Opposition to the measure is strong in St Louis itself, while polls have shown that about 60 per cent of Kansas City voters object to the proposal.

A majority of women voters and blacks also tend to say that they will vote against it. Strongest support comes from men, people who already own guns and live outside the main urban areas.

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Wan Azizah Wan Ismail, wife of Anwar Ibrahim, Malaysia's sacked deputy PM, at the launch of her National Justice party. Page 5

Companies & Finance

Special Report

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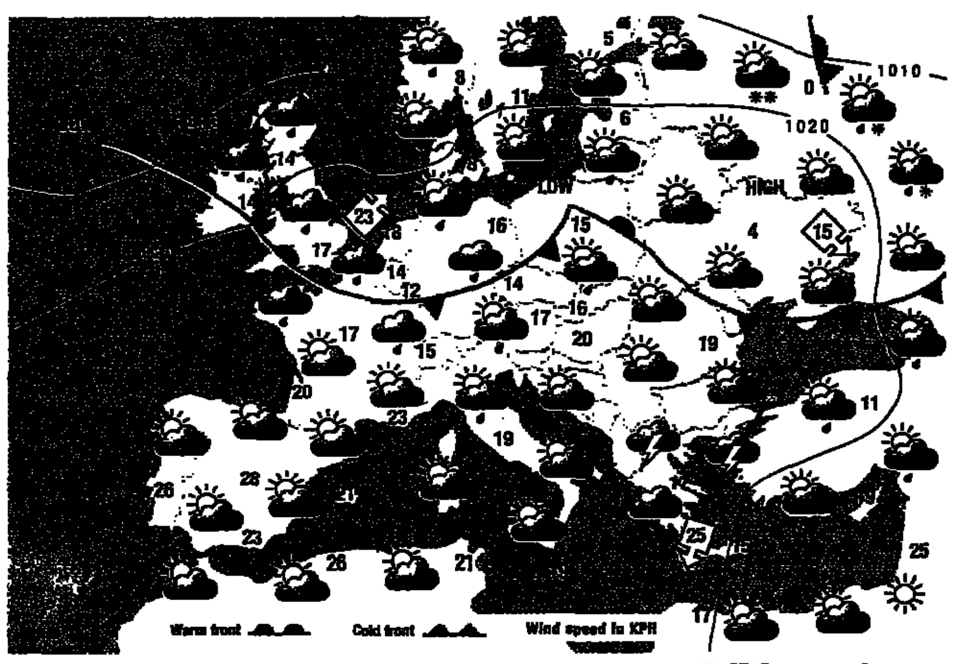
FT WEATHER GUIDE

Europe today

The Norwegian coast will have showers, as will northern Scandinavia where the showers will be wintry. The Low Countries will be cloudy with showers. Switzerland will have sunshine and showers. Northern France will be mainly cloudy with rain. Southern France will be dry and mainly sunny. Iberia will be dry, and some parts of central Spain will have unbroken sunshine. Italy should be dry and mostly sunny as should Malta and Sardinia. Greece will be unsettled with sunshine and showers.

Five-day forecast

The western Mediterranean will be mainly sunny and dry for the rest of the week, but, on Wednesday, Italy will have showers as unsettled conditions move from the east. Northern Europe will be mainly wet.



Situation at midday. Temperatures maximum for day. Forecasts by 'PA' WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	40
Accra	Fair	31
Algiers	Sun	23
Amsterdam	Shower	14
Athens	Fair	17
Atlanta	Fair	27
B. Aires	Shower	23
B.ham	Fair	61
Bangkok	Fair	36
Barcelona	Sun	20
Beijing	Cloudy	16
Belfast	Cloudy	14
Belgrade	Fair	20
Berlin	Shower	16
Bermuda	Fair	24
Bogota	Shower	20
Bombay	Sun	35
Brussels	Rain	14
Budapest	Fair	20
C.hagen	Shower	8
Cairo	Fair	25
Caracas	Fair	28
Cardiff	Cloudy	14
Casablanca	Fair	25
Chicago	Fair	8
Cologne	Rain	14
Dakar	Sun	23
Dallas	Fair	21
Delhi	Sun	37
Dubai	Sun	38
Dublin	Shower	14
Dubrovnik	Sun	19
Edinburgh	Fair	14
Faro	Sun	23
Frankfurt	Rain	15
Geneva	Fair	15
Gibraltar	Sun	21
Glasgow	Cloudy	14
Hamburg	Shower	13
Helsinki	Fair	5
Hong Kong	Cloudy	22
Honolulu	Fair	28
Istanbul	Fair	12
Jakarta	Fair	33
Jersey	Shower	13
Johannesburg	Fair	25
Karachi	Sun	35
Kuwait	Fair	32
L. Angeles	Sun	17
Las Palmas	Sun	23
Lima	Fair	26
Lisbon	Sun	26
London	Shower	17
Luxbourg	Rain	12
Lyon	Fair	18
Madeira	Fair	21
Madrid	Sun	28
Majorca	Sun	21
Malta	Sun	19
Manchester	Cloudy	15
Manila	Shower	34
Melbourne	Shower	19
Mexico City	Fair	27
Miami	Fair	28
Milan	Sun	22
Montreal	Sun	7
Moscow	Cloudy	0
Munich	Cloudy	14
Nairobi	Fair	27
Naples	Sun	20
Nassau	Fair	30
New York	Fair	11
Nice	Sun	18
Nicosia	Thunder	19
Oslo	Fair	8
Paris	Shower	17
Perth	Sun	30
Prague	Shower	15
Rangoon	Sun	35
Reykjavik	Shower	8
Rio	Fair	28
Rome	Sun	19
S. Frsco	Fair	11
Seoul	Shower	15
Singapore	Thunder	33
Stockholm	Fair	11
Strasbourg	Shower	16
Sydney	Shower	22
Tangier	Sun	24
Tel Aviv	Fair	26
Tokyo	Shower	16
Toronto	Fair	8
Vancouver	Shower	12
Venice	Sun	18
Vienna	Fair	14
Warsaw	Fair	13
Washington	Fair	14
Wellington	Fair	18
Winnipeg	Sun	7
Zurich	Cloudy	14

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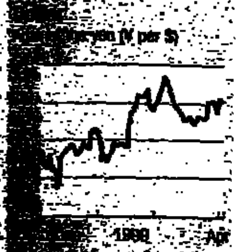
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 MONDAY APRIL 5 1999 Week 14

INSIDE

Investors look for some cheer
Investors in European shares are hoping the next three months will bring more cheer than the quarter just ended. Despite starting the year in a blaze of glory with the launch of the euro and a burst of mergers and acquisitions activity, bourses are looking a little jaded even without the potential of the war in Yugoslavia to cause further damage. Page 19

Traders eye interest rate policy

Traders will focus on the meetings at the European Central Bank and Bank of England this week, with opinions divided on the prospects for interest rates. Growth in the broad measure of euro-zone money supply has moved further above the 4.5 per cent reference rate specified by the ECB but declines in business confidence lead many to expect a rate cut. Page 18

Frankfurt may return above 5,000
A better-than-expected performance immediately before the Easter holiday has raised hopes that Frankfurt's Xetra Dax blue-chip index will rise above 5,000 points for the first time in two weeks. But trading is likely to remain thin while uncertainty continues over the scale and duration of the Kosovo war. Page 16

Hungary blazes trail to euro-zone
The market for European depositary receipts (EDRs) has sprung into action. Borsodchem, Hungary's leading chemicals company, launched an EDR last week that allows investors to trade its shares in euros. At least three other Hungarian companies are set to establish similar facilities and, elsewhere in eastern Europe, Gazprom and Lukoil, the Russian energy groups, Poland's Kredyt Bank and Estonian Telecom could all follow suit. Page 15

Venezuela spirits rise on oil
An air of optimism has crept into Venezuelan financial circles over the past two weeks. The country's daunting economic challenges now seem just a touch easier to tackle than they did two months ago. What has changed? Following production cuts agreed in The Hague last month by leading oil producers, and approved at the Opec meeting in Vienna, Venezuela's basket of oil products jumped from an average $8.25 in February to above $13. Page 14

Happy new fiscal year for Nikkei
Tokyo's equity market made a strong start to the fiscal year, despite a succession of weak economic data, including record high unemployment in February and poor retail sales and industrial production figures. The Nikkei 225 closed at 16,290.19 on Friday, up 304.15 points on the week. Page 16

KPMG Canada wins more time
An Ontario court has ordered a delay in Arthur Andersen's plans to poach the Canadian practice of KPMG by allowing partners longer to consider alternative proposals. Page 15

FT GUIDE TO THE WEEK
– full listings Page 29

You only film twice
On Tuesday, a Los Angeles court will hear the dispute between Sony and MGM over the former's plan to remake *Thunderball*. In March, a federal judge refused to grant MGM, which claims the rights to Bond titles, a judgment blocking the remake.

Nordic parliament convenes
Politicians from Finland, Norway, Sweden and Russia will gather on Wednesday for the Nordic Council's first Barents parliamentary conference.

Djibouti expects election
A presidential election is expected in Djibouti on Friday. President Hassan Gouled announced in February that he would stand down after leading the tiny Horn of Africa state for 22 years.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

FRENCH AEROSPACE GROUP LOCKED INTO $12BN HEDGE COMMITMENTS AT POOR RATE

Aerospatiale takes a hit

By David Owen in Paris

Aerospatiale, the French aerospace group, has been left with more than $12bn of currency hedging commitments, depriving it of the chance to cash in on the strength of the US dollar.

The state-owned company's dollar/French franc exchange rate is understood to have been locked in at FFr5.50-FFr5.60 until 2002, protecting it against any renewed weakness of the US currency, but preventing it from exploiting the current exchange rate of more than FFr6 to the dollar.

The hedging scheme emerged after Lagardère, the company whose Matra defence interests are being merged with Aerospatiale to form a French national aeronautics champion, said the new group would take a $300m hit in its 1999 accounts in connection with a policy of reducing exchange risks. This is believed to relate to the cost of buying options to lock in the FFr5.50-FFr5.60 exchange rate in 2001 and 2002.

As the French partner in the Airbus civil aircraft consortium, Aerospatiale is particularly sensitive to the dollar's fluctuations. Its recently published 1998 accounts showed a significant fall from FFr1.08bn to FFr409m (€62m, $68m) in operating income. If the dollar rate had been constant, operating income would have increased to FFr1.15bn.

All told, Aerospatiale expects its dollar-denominated receipts to exceed dollar expenditures by a cumulative $13bn over the next four years.

Under a strategy devised while the dollar was relatively weak, Aerospatiale sought to lock in a margin by cutting costs to a level where it would break even at a dollar exchange rate of FFr5, while purchasing financial instruments guaranteeing it a rate of at least FFr5.50 for its dollar receipts.

This ensured its unusually low level of equity for a company of its size would not be further eroded by exchange-related losses, as would have been the case in the early 1990s if it had sold its dollars at the prevailing market rate. Between 1990 and 1996, the company received more than FFr5bn more for its dollars than if it had simply sold them on the market.

It financed this hedging programme by selling options in a "zero-premium" strategy. As a result of that, it now has commitments to sell $12bn-$13bn at between FFr5.50 and FFr5.60 – well below the current market level.

But as these commitments do not exceed the quantity of dollars in its firm order book, Aerospatiale should not have to buy dollars on the market only to sell them at a loss. Therefore, it saw no need to mark outstanding financial instruments to market at the end of each year.

Aerospatiale disclosed last month that a reorganisation of hedging arrangements designed to "increase room to manoeuvre in future" had cost it FFr699m in 1998. These costs reduced the effective exchange rate for the purposes of 1998 turnover from FFr5.51 to just FFr5.22.

Lagardère is taking a 33 per cent holding in the combined group, Aerospatiale Matra, and has undertaken to pay the state FFr850m as well as a possible further FFr1.15bn, depending on the future performance of the new group's shares.

Property group studies theatre disposals

London's Donmar Warehouse, setting for Nicole Kidman's performance in *The Blue Room*, is part of the entertainment division to be valued as Chesterfield Properties considers possible disposal routes.

The property group has appointed Investec, which has a specialist media team, to study options which might include a demerger.

Roger Wingate, the largest shareholder and former chairman of the group, is understood to have dropped plans to take over the division.

Report, Page 14

Picture: Alastair Muir

Gucci awaits $8bn-plus bid plan

Italian fashion company likely to receive LVMH offer on Wednesday

By Alice Rawsthorn in London

The next stage in the battle for control of Gucci, the Italian fashion company, will start on Wednesday when its senior executives will be presented with an $8bn-plus bid by their counterparts at LVMH, the French luxury goods group.

At the meeting, Pierre Godé, senior adviser to Bernard Arnault, LVMH's chairman, is expected to unveil the details of the French group's offer to a Gucci delegation, which is likely to be led by Robert Singer, finance director.

Gucci's board will meet, probably on Thursday or Friday, to discuss the terms of LVMH's bid. At the meeting, it will decide whether to recommend acceptance to shareholders, including Pinault-Printemps-Redoute (PPR), the French retail concern that goaded LVMH into making a full bid last month by unveiling a secretly negotiated deal to take a 40 per cent stake in Gucci for $2.9bn.

Until then, Mr Arnault had avoided making a bid. Instead, he had hoped to secure board representation and to forge trading links between Gucci and LVMH's luxury brands – including Louis Vuitton luggage and Givenchy fashion – as a minority shareholder.

After announcing in early January that LVMH had had secretly amassed more than 5 per cent of Gucci's equity, Mr Arnault bought more shares in the market to raise that holding to 34.4 per cent at a total cost of $1.4bn.

His plans were stymied first when Gucci, advised by Morgan Stanley, neutralised his voting rights by issuing an identical stake to a specially created employee share option plan (Esop), and second, by the surprise intervention of PPR.

Rather than risk having his $1.4bn stake diluted to 20 per cent by a ploy that would make it even harder for him to exert any influence over Gucci's management, Mr Arnault agreed to mount a 100 per cent bid. He also added Credit Suisse First Boston to his team of advisers, which had started with Goldman Sachs alone, but had already gained ABN Amro.

LVMH is understood to have indicated that it would offer $81 cash for all Gucci's shares including PPR's, even though it is contesting the legality of that issue in the Dutch courts. Such an offer would value Gucci, including its $3bn net cash, at $8bn.

However, the offer is conditional on LVMH securing 40 per cent acceptance, which seems unlikely given that PPR now owns just under 42 per cent of Gucci. A number of Gucci's larger institutional investors have also indicated that they consider $81 to be too low.

China Unicom to invest $3bn in mobile phone networks

By James Kynge in Beijing

China Unicom, the number two state telecommunications carrier, plans to invest the equivalent of $3bn in building GSM mobile phone networks to challenge China Telecom, the dominant state carrier.

The plans are the latest sign that Unicom, which has 46 co-operation agreements worth $1.4bn with foreign operators such as France Telecom and Deutsche Telekom, has won official approval after struggling to gain a foothold in the Chinese market since it was established in 1994.

The news of Unicom's plan to expand phone systems using GSM technology – the de facto world standard – in China may benefit European suppliers such as Nokia, Ericsson, Alcatel and Siemens. It may also result in increased orders for local manufacturers, such as Huawei Technologies, that have developed their own GSM network systems. China has the world's fastest growing mobile telephone market, with 1m people signing up a month.

Officials said in March that CDMA – code division multiple access – the US-developed mobile telephony standard, would be shortly approved for sale throughout China.

A Unicom official said the intention to expand its GSM system did not affect its plans to roll out a CDMA network in China. There are, however, questions over how the company can finance its capital spending plans.

Chinese state banks say they are willing to lend to Unicom but it is unlikely that they can make available credit sufficient to finance Rmb 23.8bn ($2.87bn) in capital spending.

Unicom has traditionally relied on foreign companies to provide capital on the understanding that the foreign company would receive a share of the profits through consultancy, leasing and management fees.

The type of investment, known as the Chinese-Chinese-Foreign model was formulated to circumvent a prohibition on foreigners owning direct equity stakes in Chinese telecoms service ventures.

But last year this CCF model was declared "irregular". Unicom has offered to buy out its foreign partners by refunding some of their investment.

While the foreign companies ponder the pros and cons of seeking a buy-out by Unicom, the Chinese company has in several cases withheld the revenue it was supposed to transfer to foreign partners for services delivered in March. Companies say $16m in shared profits has been frozen.

"It is a way of coercing us to settle for reduced compensation," said a representative of a European telecoms company.

Premier's US visit, Page 11

EDWARD LUCE
GLOBAL INVESTOR

Crossing the default line

It is not often that representatives of the global bond markets clash with the International Monetary Fund. But moves by the IMF to encourage a number of developing countries to default on their foreign bond obligations has sent many into a lather.

Defenders of the status quo say bonds are very different from other types of debt on which emerging markets often default. For example, commercial bank loans are extended by professionals who can do a credit assessment of the borrower before signing up to the deal.

In addition, it is rare for loan syndicates to be composed of more than 50 banks, which makes it relatively easy for creditors to achieve unanimity on the conditions of a debt rescheduling. The same applies even more strongly to the process of rescheduling concessional debt from the Paris Club of official creditors.

In contrast, large sovereign bonds are often scattered among hundreds – sometimes thousands – of investors.

This makes it tricky to achieve consensus on conditions for restructuring coupon and principal repayments on bonds and opens the process to almost certain litigation. It also penalises retail investors who buy Eurobonds on the assumption they are safe, say critics of the IMF.

Furthermore, according to Medley Global Advisers, a consultant to hedge funds, the market believes that allowing sovereign bonds to be restructured "would not only significantly increase the cost of capital market issues for most developing countries but would also close access to bond markets for a number of sovereign issuers just when this access was most needed".

Such was the degree of opposition to the IMF's suggestion this year that Pakistan should reschedule $600m worth of sovereign bonds that Pakistan rapidly distanced itself from the suggestion. The outcry partly stemmed from the fact that many in the bond markets believed the IMF was using Pakistan as a guinea pig for a manoeuvre that would later be applied to Russia with its larger sovereign bond debt of $15bn.

Apart from the IMF, some European governments also favour changing the documentation on bonds to allow sovereign restructuring.

Eurobonds have been treated differently from commercial loans because sovereign governments never bothered to visit the bond markets and thus had few obligations to service. There was little point in the Paris Club imposing "comparability" of restructuring on the bond markets when more than 90 per cent of sovereign commercial debt sector was owed directly to banks.

However, since the Latin American debt crisis of the 1980s, emerging markets have turned increasingly to the bond markets to take advantage of fixed rate funding and the longer maturities on offer.

According to Standard & Poor's, the rating agency, sovereign bond obligations are now 70 per cent higher than obligations to the banking sector. This makes a compelling case for the bond markets to be "bailed in" to sovereign debt negotiations, including holder of Russian bonds.

But there is a more subtle reason for "bailing in" the bond markets. Perhaps more than any other asset class, emerging market bonds have fluctuated violently over the last three years.

Wild fluctuations in emerging market bond prices demonstrate the excessive leveraging and inherent volatility of the market. This encourages governments to issue bonds – sometimes to excess – during a bull market and denies them access when the inevitable backlash occurs.

Changing the documentation on bonds to make it easier for borrowers to restructure their obligations might push up the cost of debt (and lead to sovereign credit rating downgrades). But it could also make the borrower think twice before tapping the markets and look more strenuously to their own domestic markets as an alternative, and safer, source of capital.

Bond investors might have to get used to taking the occasional "haircut" along with their counterparts in the banking sector. Even if sometimes, it looks uncomfortably like a crew cut.

PROPERTY GROUP'S FORMER CHAIRMAN IS THOUGHT TO HAVE DROPPED PLANS TO TAKE OVER ENTERTAINMENT DIVISION

Chesterfield names advisers to value unit

By Susanna Voyle

Chesterfield Properties, the property group, has appointed advisers to help it value its entertainment division.

Roger Wingate, the largest shareholder and former chairman of the group, is understood to have dropped his plans to take over the division, which has eight West End theatres including Wyndhams and the Donmar Warehouse, a theatre production company and a film and television distribution arm.

The group has appointed Investec, which has a specialist media team through its Investec Henderson Crosthwaite Corporate Finance division, to study possible disposal routes, which might include a demerger.

Chesterfield announced in February that it planned to sell its assets and return the proceeds to shareholders.

Since then it has received a bid approach from Quintain Estates & Development which said it would sell all the London properties – including the entertainment division – to Benchmark Group.

According to people close to Chesterfield, the group feels that valuations of the entertainment division fail to reflect the potential of the business.

They said price tags in the region of £15m-£20m reflect only the value of the properties in the portfolio.

"Chesterfield as a whole has made a loss but the entertainment business is one which has double digit operating profits and it is clear that there is some value-added in there," said one.

The winding-up of Chesterfield was hailed as a sign of long-awaited consolidation among smaller, quoted property companies.

However, events have frustrated many shareholders who felt the personal agendas of some were being put ahead of those of investors.

Within days of the first announcement, it emerged that Chesterfield had already found buyers for parcels of its assets.

In particular a £93.5m portfolio which was to be sold at a discount to its 1997 net asset value to GE Capital in return for deferred non-interest bearing loan notes.

In addition it was revealed that Robert Maxted, chief executive, would resign his post and take up a role in managing those assets for GE.

Mr Maxted said he did not participate in the board's discussions of the sale.

At the end of last month, shareholders at an extraordinary meeting voted to give the board extra time to consider all the options.

M&S to launch promotion campaign

By Peggy Hollinger

Marks and Spencer, which is in the midst of an extensive corporate restructuring after making a surprise profits warning in January, will next week launch a large-scale promotion campaign aimed at winning back consumer confidence.

The promotion, which will for the first time encompass both food and non-food products, will involve extensive advertising in the press and on radio for the rest of the year. The company refused to comment on the scale of its spending on the campaign.

Peter Salsbury, chief executive, sent a memo to all staff early last month stressing the importance of the campaign, which will be aimed at re-emphasising the company's strengths. Under the heading immediate priorities, Mr Salsbury wrote: "We have to restore quickly our customers' confidence in Marks and Spencer as their preferred retailer." Staff would need to "provide visibly better service", he said.

Mr Salsbury insisted that although the promotion would carry "even better values compared with last year, this would not be a lower price promotion". M&S is hoping to restore its image as an innovative retailer by highlighting the extent to which the products its sells are unique. It is launching new product ranges, such as non-polish shoes and knitted viscose t-shirts with lycra at lower price points. This will allow it to claim it is not price cutting, but merely creating better value for consumers.

New food products are also being introduced and, like non-food, will be highlighted in even the smallest stores with highly visible displays.

Mr Salsbury's memo was issued shortly after the first meeting of the group's executive directors following a shake-out in February saw the departure of 31 of their number, including three board directors. The memo provided several clues of the substantial challenges faced by M&S as it seeks to change its highly bureaucratic culture.

Mr Salsbury said, for example, that a second immediate priority was to create "a way of working together which enables decisions to be made which are not encumbered by hierarchy. We must challenge all aspects of the traditional way in which senior management are treated differently."

Mr Salsbury's exhortations were followed two weeks later by a communication to staff from Paul Kimberley, director of store operations. Mr Kimberley wrote that for the first time stores would have "established links into allocation areas to raise issues of availability".

Terranova investors cool on Unigate bid price

By Maggie Urry

Investors in Terranova, the chilled convenience foods group fighting a hostile £228.5m bid from Unigate have said the dairy, bacon and distribution company will have to raise its offer if it is to prevail.

Terranova, which was demerged last year from Hillsdown Holdings, the food-based conglomerate, has taken its case to institutional shareholders, arguing in a series of presentations that Unigate's offer of 125p a share undervalues it.

One investment manager with a significant shareholding said: "Frankly the offer is too low." He said that Terry Stannard, Terranova's chief executive, had made a good argument for a higher offer.

Analysts believe Unigate might have to pay up to 150p a share to win agreement from Terranova, although suggestions of a price as high as 200p were rejected by investors.

"The market is telling them [Unigate] they need to pay more, though I do not think it has to be quite as racy as the defence document suggests," said one shareholder.

The defence document was sent to shareholders last week.

Terranova is also thought to be seeking a friendly bidder to trump Unigate's offer.

Although observers believe UK venture capitalists and other quoted food groups have only a limited interest in buying the company, they say it is more likely that a counter-bidder might come from overseas, possibly continental Europe.

Terranova's share price has remained above the offer price since the bid was launched in mid-March. On Thursday it closed unchanged at 135p.

Unigate directors have agreed to meet one of Terranova's large shareholders this week in advance of the first closing date for the offer on Thursday.

One observer suggested it would be in shareholders' interests if the two sides ceased hostilities and met to discuss a price Terranova would find acceptable.

Terranova was demerged from Hillsdown last October and started trading at 142½p.

However, since then the shares have drifted down to a low of 75½p as the food sector and smaller companies in general underperformed the market.

Unigate has set a first closing date of April 8.

● Three former directors of Hillsdown Holdings who left the group last year, shared £1.4m in compensation for loss of office and additional pension contributions on top of their salaries up to their leaving dates.

The group underwent a restructuring during the year, demerging two subsidiaries and selling a number of businesses.

George Greener, who had been chief executive but left at the end of August, received £643,000 in compensation and £280,000 in salary and benefits. In 1997 his salary totalled £441,000.

Ray Mackie, the former finance director who left in May, was awarded compensation of £377,000 on top of his salary and benefits of £165,000. In 1997 he received £278,000.

Bill Clark, who left at the end of June, was paid compensation of £365,000, and his salary totalled £198,000. In 1997 he earned £296,000.

Michael Teacher, who was on the board for the full year but was promoted to chief executive in September, received a total salary of £404,000, up from £296,000 previously.

Pru to review stake in SJPC

By Jim Kelly

Prudential, the UK's largest insurer, is reviewing its 29.9 per cent stake in St James's Place Capital – the financial services holding company for J Rothschild Assurance.

The review has been forced on Prudential as a result of its agreed £1.9bn cash offer for M&G Group, the UK's oldest unit trust manager.

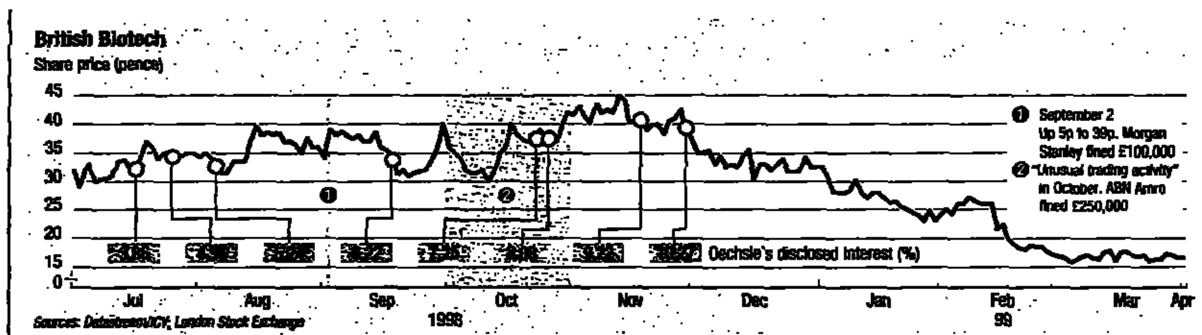
If that deal goes ahead Prudential will have to sell equity in St James's Place Capital or launch a full bid. This is because M&G has a holding in St James's Place which would push Prudential's stake marginally beyond 30 per cent – the threshold set by regulators at which it must make an offer for the outstanding shares.

Prudential said yesterday that if the M&G deal was completed as expected in late June, it would have to consider its options.

"We haven't really taken a decision one way or another," it added.

Prudential's offer of £25 a share for M&G was 40 per cent above the fund manager's closing price before the deal was announced in early March, and equal to 10 per cent of the £18.5bn of total assets under management, an unusually high percentage.

Prudential justified the level of the offer by saying it expected the UK unit trust market to almost treble in size to £420bn by 2003.



Sources: Datastream/ICV; London Stock Exchange

Oechsle's Biotech stake down £15m

By Clay Harris

Oechsle International Advisers, the fund manager being investigated by the US Securities and Exchange Commission over its dealings in British Biotech, has seen the value of its holding in the UK company fall by about £15m since November.

Oechsle steadily built up the stake in the last half of 1998, a period including the trades that led the London Stock Exchange last week to fine ABN Amro Equities (UK) £250,000 and Morgan Stanley Securities £100,000. The exchange said the firms had accepted orders that included the instruction to move a share price.

Oechsle holds the stake on behalf of discretionary clients. Since it last disclosed an aggregate holding of 10.27 per cent on November 30, British Biotech's shares have lost more than half their value, from 39p to 16½p. Many of the shares were bought below 39p.

On Friday, Oechsle said the SEC was conducting an inquiry into trades placed by one portfolio manager, who had been placed on administrative leave. The manager handled a "small number of accounts with a specialised investment approach".

Oechsle has also disclosed to the stock exchange holdings of nearly 6.3 per cent in Somerfield, the supermarket chain, 3.18 per cent of Pilkington, the industrial materials group. Its interests in Matthew Clark, the cider maker later taken over by Canadaigua Brands, and Huntingdon Life Sciences, the contract research group, fell below the 3 per cent disclosure threshold in August.

Oechsle's US advisory clients include AAL Capital Management, a Lutheran-oriented investment group.

Limit to merge managing agencies

By Andrew Bolger, Insurance Correspondent

Limit, the biggest corporate investor in Lloyd's, is to merge its two wholly-owned managing agencies, Bankside and Janson Green, into a single entity for the 2000 underwriting year.

Limit said the new combined agency, to be called Limit Underwriting, would control eight Lloyd's underwriting syndicates with total capacity – the amount of insurance premium they can underwrite – of about £750m, some 8 per cent of the Lloyd's market.

The managing agency will have as chairman Brian FitzGerald, chief executive of Janson Green. Its chief executive will be Elvin Patrick, Bankside chief executive.

Steven Burns, Janson Green finance director, will be the new agency's managing and finance director and Peter Grove, Bankside underwriting director, will fulfil the same role in the merged entity.

Limit also announced board changes, reflecting its transformation last year from investment trust status into an operating insurance underwriting business.

Mr FitzGerald becomes deputy chairman, Mr Patrick managing director and Michael Carpenter chief financial officer.

Limit said its underwriting return for the 1996 account after expenses amounted to 6 per cent on its capacity of £565m.

Its return on Bankside and Janson Green capacity was 13.3 per cent and on non-aligned capacity 4.9 per cent. For the 1996 account, £73.2m of Bankside and Janson Green capacity was supported by Limit, accounting for 13 per cent of the total.

The company said the underlying return on the £608m of capacity supported for the 1997 account was now expected to be about break-even. After crediting the refund of the special central fund contribution, the return was estimated at about 1.5 per cent before any change in provisions, which was expected to be a net release.

Limit said the outlook for the 1998 year of account had deteriorated in recent months, with a high level of losses incurred exacerbating the very competitive rating environment.

The year would probably therefore show a small loss which would, however, be restricted by stop-loss reinsurance arrangements recently entered into with Munich Re.

EMERGING MARKETS PRICE RISE OFFERS RAY OF HOPE IN THE FACE OF DAUNTING ECONOMIC PROBLEMS

Oil upturn raises spirits in Venezuela

By Raymond Colitt in Caracas

A faint air of optimism has crept into Venezuelan financial circles over the past two weeks. The country's daunting economic challenges now seem just a touch easier to tackle than they did only two months ago. What has changed?

Some analysts argue that within Venezuela itself, little has changed. "The driving force is oil. It is the key story in Venezuela," says Jose Luis Dazza, emerging markets analyst with J. P. Morgan in New York. "On the economic front, little has happened."

Indeed, with two-thirds of the country's foreign exchange and about 40 per cent of the central government's budget coming from petroleum sales, the price of oil has long been a barometer of the country's financial and economic health.

Following production cuts agreed in The Hague last month by leading oil producers and approved at the recent Opec meeting in Vienna, Venezuela's basket of oil products jumped from an average $8.25 in February to above $13.

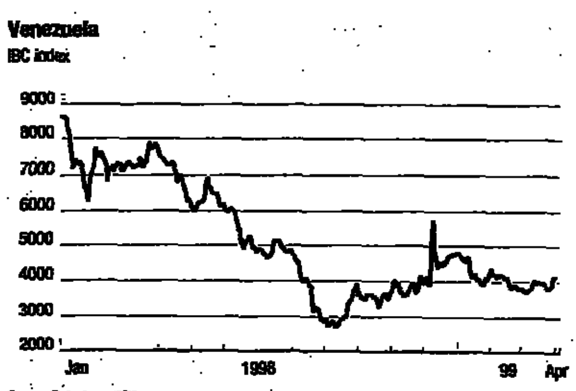
The Caracas stock exchange index gained 7.71 per cent in a three-day rally last week, closing at 4,133.89 on Wednesday. That is still down 13.67 per cent for the year and compares with a 12-month high of 7,685. Volume, however, picked up notably, nearing $3m a day. (The markets were closed on Thursday and Friday for the Easter holiday.)

"There is general optimism because of the recovery of the oil price. Nobody wants to miss the upturn," says Luis Garrido, chief analyst with Merinvest, a local investment bank. He says government revenue increases by 0.5 per cent of gross domestic product for every $1 increase in the price of oil.

The government is equally hopeful of a sustained oil price recovery. Maritza Izaguirre, finance minister, is already talking of possibly cutting short the duration of an emergency financial transactions tax, recently approved by congress to help reduce a budget deficit estimated at 9 per cent of GDP.

The government hopes for an average oil price of $12 and windfall oil revenue of $2bn beyond its 1999 budget, calculated at $9 a barrel.

Adding to the upbeat market sentiment, says Jos Toms Duarte at Econoinvest, a local brokerage, is the recent congressional approval of economic emergency measures that could raise as much as 2 per cent of GDP. "The solution to the budgetary problem now seems a little easier than it did just a month ago," says Mr Duarte. "This could be the beginning of investors positioning themselves for a long-term rally."



Source: Datastream/ICV

Still, other than the telecommunications provider CANTV and power company Electricidad de Caracas, the two blue-chip utilities, few stocks drew much attention. "Other than a couple of habitual buyers, we did not see new foreign investors moving in," says Merinvest's Mr Garrido. Though he suggests some foreign investment funds could enter the market this week, "it will require more good news to back up this upward trend".

Many investors watching Venezuela from the sidelines are becoming restless. They remember the country's dramatic turnround in 1996, when rising oil prices and an agreement with the International Monetary Fund pulled the country out of deep financial trouble and sent the equity soaring – more, in fact, than any other stock exchange that year.

Most analysts believe a prolonged rally in the equity market will be possible only if President Hugo Chavez adopts a more market-friendly tone and clinches a deal with the IMF.

Without an IMF-backed economic programme, says Mr Dazza, Venezuela would have a hard time raising the $3bn it is hoping for from the international capital markets, in spite of improving investor sentiment towards Latin America.

Mr Chavez, a populist former coup leader who took office on February 2, has abandoned much of his anti-establishment campaign rhetoric and appears increasingly disposed to adopt market-oriented policies. He recently announced the privatisation of state assets in the aluminium and power industries, one of the clearest indications yet that he is willing to embrace private-sector participation even in key sectors of the economy.

Mr Chavez has also pledged to stick with the current budget regardless of the oil price. Yet history shows that few Venezuelan governments have kept such promises; rising oil prices have proved before to be a double-edged sword for economic reform.

"With a stronger oil price, [Mr Chavez] could pay even less attention to the economic problems," says Carlos Janada, senior Latin America economist with Morgan Stanley Dean Witter. "The government still faces a number of structural problems."

NEWS DIGEST

INFORMATION TECHNOLOGY

Cap Gemini sells UK training side for £32.5m

Cap Gemini, the largest European IT services group which is quoted on the Paris bourse, has sold its UK education and training division to QA Group, part of Skillsgroup, for £32.5m. The sale will enable Cap Gemini to focus on its core IT services business in the UK and will turn QA Training into the biggest IT training group in Britain. The deal includes the provision of training services by QA Training to Cap Gemini in the UK and Ireland for two years. QA will also be the preferred supplier for two years after that. Cap Gemini's decision to sell its IT training division follows a review of the UK IT market which concluded that in order to expand the business, substantial investment would be required to meet market demands for a broader product range and extended delivery mechanisms. **Paul Taylor**

PRIVATE EQUITY

MTI to fund Global Silicon

MTI, the early stage venture capital provider, yesterday completed a £2m deal to fund the development of Global Silicon. It is a start up project which has developed a new approach to the design and manufacture of hi-fi equipment. The group will use the funds to invest in developing a line of products. Currently hi-fit units use a number of circuit boards to run smoothly. Global Silicon has developed the technology to reduce the number to two.

Paul Castle, chief executive of MTI Partners, said: "It is a very early stage deal for us. These products will be designed and developed by Global. Their manufacture will be undertaken in the Far East with intellectual property resting with Global Silicon. The actual products will then be brought to market by names one recognises on the high street with the first products on the high street by Christmas 2000." **Richard Rivlin**

CHEMICALS

Banner chairman steps down

Stuart Lloyd has stepped down as chairman and chief executive of Banner Chemicals, as part of efforts to cut costs. The chemicals distribution company, formerly known as Sutcliffe Speakman, said Mr Lloyd had offered to resign after a year of difficult trading. Banner, which warned on profits in January, added that trading continued to be difficult.

The departure of Mr Lloyd, who oversaw the group's recent restructuring, would contribute toward savings of £400,000 in 2000. However, there would be one-off exceptional charges of £300,000 in 1999 associated with cost-cutting. Banner said Mr Lloyd, whose annual pay package was worth about £170,000, had been instrumental in overseeing the transformation of Banner, which was created after Sutcliffe sold its carbons and environmental engineering division in May for £24.4m. This helped lift pre-tax profits from £2.51m to £14m in the six months to September. However, Banner warned in January that poor demand had squeezed operating margins and it expected second-half results to disappoint.

Following Mr Lloyd's departure, Alan Howarth, 37, has been appointed group managing director. **Dan Bilefsky**

TELECOMMUNICATIONS

Telewest's £400m bond issue

Telewest Communications, one of the UK's biggest cable telephony groups, has raised nearly £400m in an issue of high yield bonds to refinance debt following its acquisitions of General Cable and Birmingham Cable last year.

Telewest raised £200m and $300m (£186m) in two issues of 10-year zero coupon notes, in what bankers said was a substantial lift for Europe's fledgling high-yield or "junk" bond market, which is slowly finding dedicated pools of willing investors. The £200m issue was priced to yield 539 basis points over the 10-year benchmark UK government bond, and the $300m issue will yield 402 basis points over 10-year US treasury bonds. Charles Burdick, group finance director, said the terms were "very favourable". **Vincent Boland**

BUILDERS' MERCHANTS

Travis Perkins' £11.5m deal

Travis Perkins, the builders' merchant, is buying 15 outlets for a total of £11.5m cash. Nine are in London and Essex and are being bought from Smith and Sons, a private company. Six other outlets are independent branches in Glasgow, Bletchley, Watford, Kidwelly, Ottershaw and Totnes. The outlets have total annual sales of £20.3m. **Charles Pretzlik**

DISTRIBUTORS

SEP shares suspended

Shares in SEP Industrial were suspended on Thursday after the Midland-based components supplier postponed reporting its annual results because of "possible accounting irregularities". The company said it now expected to report results for the year to September 30 sometime this month. It would consider the disposal of non-core assets in order to strengthen its financial position. Net debt is about £2m. **Dan Bilefsky**

BIOTECHNOLOGY

PPL Therapeutics in US link

PPL Therapeutics, the Scottish biotechnology company famous for cloning Dolly the sheep, has signed an agreement with a US-based biotechnology company to examine the feasibility of producing another protein, for human use, in a transgenic animal. The company said it would undertake a feasibility study, expected to take about six months and involving production of a peptide, a human protein, in the milk of transgenic rabbits. If the study proves successful and the US company decides to proceed with full testing, production could be moved to sheep or cows depending on how much of the protein is needed.

PPL declined to reveal which illness the study was targeting, the name of the US partner or the commercial terms. **Virginia Marsh**

PRINTING, PAPER & PACKAGING

RPC spends £4m on PET

RPC Group, the plastic packaging producer, has spent £4m on PET container equipment, following the decision of a competitor to quit the business. It said it was buying single-stage manufacturing equipment for the containers from Able Industries, part of the Robinson Group, which was withdrawing from this segment to concentrate on PET preforms and bottles. Shares in RPC lost ½p to 180p on Thursday when the deal was announced. **Virginia Marsh**

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TELECOMS CONSOB TRIES TO CLARIFY MARKET CONFUSION OVER HOSTILE BID FOR TELECOM ITALIA

Regulator seeks answers from Olivetti

By Paul Betts in Milan

Consob, the Italian stock market regulator, has asked Olivetti to clarify two key aspects of its €60.4bn ($65bn) hostile bid for Telecom Italia in what is expected to be a decisive week in Europe's largest postwar takeover battle.

The watchdog told the Italian information technology and telecommunications group to disclose at its shareholders meeting on Wednesday the precise conditions under which it would withdraw its bid. Consob also instructed it to specify the minimum number of shares it would accept if it failed to secure all Telecom Italia outstanding voting shares.

Consob's demands on Friday came amid continuing confusion in the market about the terms and conditions of Olivetti's bid.

Roberto Colaninno, Olivetti chief executive, said last week that he would consider withdrawing the offer if Telecom Italia shareholders voted at an extraordinary meeting on Saturday to back the package of defensive measures proposed by Franco Bernabe, Telecom Italia chief executive.

Mr Colaninno was speaking after announcing that Olivetti was raising its bid from €10 to €11.50 a share.

Telecom Italia's bankers have argued that Olivetti's threats to withdraw its bid put undue pressure on shareholders in the run-up to Saturday's extraordinary meeting in Turin. If the bid goes ahead, Consob also wants Mr Colaninno to specify the minimum stake Olivetti would be prepared to accept.

The watchdog argues that Olivetti has so far given the market confusing signals.

Olivetti originally said it would consider the offer successful if it secured 67 per cent of all outstanding voting shares. However, Mr Colaninno has since indicated on various occasions that Olivetti would be prepared to accept less than that.

At a presentation on Wednesday to financial analysts in Milan he confirmed Olivetti was reserving the right to accept less than 67 per cent.

"No one is interested in 10 per cent," Mr Colaninno said. But the company would clearly consider accepting 30 per cent, he suggested.

This issue has been an increasing worry for Telecom Italia management. The privatised telecoms operator fears that Olivetti would be able to undermine its current management and paralyse board decisions even if the bid failed but Olivetti ended up with a stake of, for example, 30 per cent.

At present, no single Telecom Italia shareholder can hold more than 3 per cent of voting rights even with a stake of more than 3 per cent of the capital. However, the 3 per cent voting limit is cancelled in the event of a takeover bid for the entire share capital.

Japanese trading houses warn of losses

By Naoko Nakamae in Tokyo

Two leading Japanese trading houses have warned they will post group net losses for the year to March 31, rather than the profits that had been forecast.

Sumitomo Corporation, which sits at the centre of the Sumitomo group, said on Friday it would post a Y23bn ($190m) group net loss instead of the forecast profit of Y16bn.

Marubeni, a core member of the troubled Fuyo group, warned on Thursday it would post a Y110bn group net loss compared with its previous forecast of a Y7bn profit.

Marubeni also said it would cut 900 jobs in the next two years through an early retirement programme and by cutting recruitment.

The group blamed a Y97bn reduction in the value of its securities holdings for the decline, and lowered its dividend forecast from Y6 to Y3. More than 20 per cent of the loss was related to the fall in financial sector shares, in particular its holdings in Sakura Bank and Industrial Bank of Japan.

The other losses were across a wide range of issues, reflecting the diversity of the company's business, said Marubeni.

It lowered its parent forecast from a Y10bn net profit to a Y20bn net loss and said it would post a Y79bn extraordinary loss for the fiscal year.

The company has set aside Y22bn in loan loss reserves for overseas claims, reflecting the deterioration in its overseas business environment, especially in Asia.

In particular, Marubeni's petrochemical project in Indonesia has attracted considerable concern.

The group also unveiled a plan that includes a Y1,000bn reduction of net interest-bearing debt by the end of March 2001.

Sumitomo said that it would post about Y145bn of extraordinary losses, including Y25bn in loss reserves for overseas claims.

It also estimated it would report a Y23bn loss in the value of its securities holdings.

The group says 75 per cent of the loss stems from financial sector shares, especially from its holdings of Bank of Tokyo-Mitsubishi, Sumitomo Bank and Sumitomo Trust.

Sumitomo shares closed down 3.4 per cent at Y758 on Friday but Marubeni rose 3.4 per cent to Y243.

EUROPEAN DEPOSITARY RECEIPTS ISSUERS DISCOVER ADVANTAGES OF RAISING CAPITAL IN NEW CURRENCY

Hungary blazes trail to euro-zone

By Khozem Merchant

The market for European depositary receipts (EDRs) has sprung into action. Borsodchem, Hungary's leading chemicals company, launched an EDR facility last week that allows investors to buy and trade its shares in euros.

In the next few weeks, at least three other Hungarian companies will establish similar facilities. They could be followed by Gazprom and Lukoil, the Russian energy groups; Poland's Kredyt Bank; and Estonian Telecom, which recently completed an initial public offering.

Companies from Turkey, Greece and Slovenia are planning to follow suit in the coming weeks, and some of the programmes involved will include raising new capital as well as allowing for euro-denominated trading.

"Issuers have digested the two inaugural EDRs and understand what they will achieve through this form of capital-raising," says Mike Hughes at Bankers Trust, which arranged the first full EDR programmes – for Zagrebacka Banka, the Croatian bank, last November, and the Egyptian brewery Al Ahram in January. "With the euro settled, issuers are keen to move forward."

Despite the arrival of the euro, EDR issuance has taken a while to grab the imagination of company finance chiefs. This is in sharp contrast to the steady flow of American and Global Depositary Receipt issuance.

In the first quarter, 17 DRs were issued, raising a total of $2.5bn, according to Bankers Trust. European companies led the way, with 10 issues, followed by Asia (five), and Latin America and Africa, with one each. Of the 17 issues, 12 were ADRs, which have historically been the most popular. There are some 2,000 ADR programmes, worth about $400bn.

EDRs offer many of the benefits of ADRs and GDRs. They allow access to new sources of funding, diversify the shareholder base and increase the liquidity of issued share capital. From the investor's point of view, trade and settlement is in more sophisticated home markets; foreign custody charges are eliminated; dividend payments are made in euros; and there is transparent price comparability against peer companies in the euro-zone.

For these reasons, bankers say EDRs are likely to appeal particularly to companies from eastern Europe, just as ADRs are favoured by Latin American companies. As neighbours and potential members of the European Union, emerging Europe is home to hundreds of capital-hungry companies keen to tap the euro-zone investor base.

OTP, Hungary's largest bank, Zalerakamia, a ceramics company, and TVK, a chemicals group, will launch facilities similar to that of Borsodchem – a "non-offering" EDR facility because it did not raise new capital. Instead, these limited EDR facilities are designed to create a broader euro-zone investor base and boost secondary trading.

Few expect EDR issuance to become a boom industry, at least for the moment. With pan-European investment the vogue among institutional investors, "emerging markets will remain well down on the list of priorities", says Christopher Sturdy at Bank of New York, which is arranging the Hungarian EDR programmes.

But as more euro-zone investors benchmark their performance against euro-denominated indices, depositary receipts will become more popular when denominated in euros. "Euro-based investors will find it is more convenient to trade in securities denominated in euros," Mr Sturdy says. At the moment most emerging market funds benchmark against a dollar-denominated index.

The Hungarian EDR issues, like those from Croatia and Egypt, will be listed on the London stock exchange. Several Hungarian companies already have GDRs listed in London, which is regarded as the most developed market for emerging market depositary receipts. London has 101 GDR listings from companies in 35 countries which have raised £13bn in the past five years.

In the first two months of 1999, 42 per cent of all equity traded on the London exchange was in euro-denominated stock. Joanne Menges, at the LSE, says the exchange is well placed to attract more EDR listings, offering access to "the largest pool of international investment capital in the world and the fact that we operate the most liquid secondary trading".

The only bourse actively promoting EDRs, however, is the Paris stock exchange. It has launched a deal with Citibank, under which clients would list on the exchange but use the US bank as the depository.

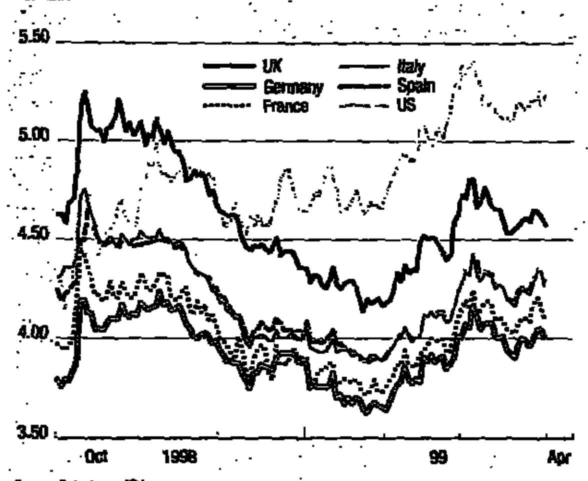
The Paris bourse has yet to attract issuers, but it says it is talking to six potential issuers from Latin America.

Bankers say a genuinely liquid EDR market should not be driven simply by structural deficiencies in emerging markets but by a desire to hold stock originating from those countries.

"There has got to be a desire for emerging market stock, and when there is, then you will have a proper market," says John Millar at Merrill Lynch.

10-year benchmark bonds

Per cent



Source: Datastream/ICV

Cross-border M&A deals at record levels

By Tracy Corrigan in New York

Cross-border mergers and acquisitions activity reached a record $260bn of announced deals in the first quarter of 1999, exceeding the previous record of $207bn in the second quarter of 1998.

According to Securities Data, which monitors transactions, activity in the US M&A market was also robust, with the quarter's $415bn of announced deals exceeded only by the total in last year's second quarter of $681.7bn.

In all, deals worth $835bn were announced in the quarter, following last year's total of $2,500bn, confounding predictions of a slowdown in the M&A market this year.

Only two of the quarter's 10 largest transactions involved US companies on both sides of the deal, due to a marked increase in activity by European companies.

Goldman Sachs led the pack in global mergers and acquisitions, while Merrill Lynch continued to dominate debt and equity underwriting, followed by Salomon Smith Barney, according to Securities Data.

The data support the findings of a report by Moody's, the US ratings agency, which argues that second-tier firms and new entrants to the US securities industry face worsening prospects, while a handful of market leaders are benefiting from the boom in mergers and acquisitions and in the use of international capital markets.

"What is remarkable is the consistency of Morgan Stanley, Merrill and Goldman," in league table performance, noted Peter Nerby, one of the report's authors.

Moody's places these three investment banks in an elite group set to dominate the global investment banking industry, and says J.P. Morgan and Citigroup's Salomon Smith Barney unit are "well positioned, but each faces certain challenges".

The report warns that the industry's "speedy recovery" from the market turmoil of the second half of 1998 may have created a false sense of confidence.

Market volatility and pressure on fees could affect more narrowly focused firms such as Lehman Brothers or Donaldson Lufkin & Jenrette.

Mr Nerby argues that a strong position in M&A advisory work is increasingly hard to gain, but also increasingly important because it offers high margins and access to other business.

As globalisation creates increasingly complex deals such as the merger of Daimler and Chrysler, only a handful of well established and globally based firms will be able to compete for such transactions, he argues.

KPMG Canada wins more time

By Jim Kelly
Accountancy Correspondent

An Ontario court has ordered a delay in Arthur Andersen's plans to poach the Canadian practice of KPMG by allowing partners longer to consider alternative proposals.

Judge J.M. Farley, sitting in Toronto, has extended the period before partners vote from April 9 to April 26 after an application for an injunction from David Knight, vice-chairman of KPMG Canada.

"I intend to encourage the partners to vote against the merger," he said later.

The decision is a welcome development for KPMG International, which was rocked by the news of the agreement to merge between Arthur Andersen – the smallest of the Big Five accountancy firms – and its Canadian practice. KPMG immediately announced ambitious plans to integrate more fully its leading firms around the world.

"I'm confident that it is one more positive step towards the day when we can announce that KPMG Canada will remain a valued member of the KPMG International family," said Paul Reilly, chief executive of KPMG International.

It is understood that Arthur Andersen's merger proposals include some clauses guaranteeing partner job security for a limited period, believed to be up to three years.

All KPMG partners are being offered membership of Arthur Andersen's Canadian firm, but not all will become full partners in Andersen Worldwide.

KPMG International hopes it can poach back key partners, particularly in Toronto and Vancouver, and build a new and more profitable practice.

Arthur Andersen appears confident that it can hold on to the firm's leading fee earning partners.

New CIBC chief to focus on retail

By Edward Alden in Toronto

The Canadian Imperial Bank of Commerce plans to shift new investment to its retail business, despite choosing John Hunkin, the head of its wholesale banking group, as its next chief executive.

Mr Hunkin was given the nod on Thursday by CIBC's board over Holger Kluge, president of the retail and commercial bank.

The choice was widely seen as a decision on whether CIBC would beef up its volatile capital markets business or focus on the more stable retail operation.

But Mr Hunkin said CIBC planned to change its business mix in favour of retail banking. CIBC currently allocates 60 per cent of capital to its wholesale arm and 40 per cent to the retail bank, and Mr Hunkin said he wanted that ratio reversed.

Canadian banks have been re-evaluating their operations following the federal government's decision last December to block mergers involving four of the five largest banks. Most are opting for focused strategies that concentrate limited resources on a smaller number of profitable divisions.

Despite his capital markets background, Mr Hunkin said he planned to invest in the retail business, particularly wealth management and electronic commerce. "I share investors' wish to realise strong, stable earnings that are not vulnerable to capital markets volatility," he said.

The 53-year-old Mr Hunkin, who will take over on June 3, is credited with turning CIBC Wood Gundy, the brokerage arm, into Canada's most successful investment bank.

EDS shake-up continues with more resignations

By Andrew Edgecliffe-Johnson in New York

Another two long-standing executives of Electronic Data Systems have resigned from the Texas computer outsourcing group in the latest sign of a shake-up by Dick Brown, who took over as chairman and chief executive in January.

The resignations of Gary Rudin, chief information officer, and John Harris, director of corporate marketing, follow the departures of EDS's former chairman, chief executive, chief financial officer and head of human resources in the past year.

Stephen McClellan, computer services analyst at Merrill Lynch, said: "I expect other, more significant roles to depart." Four of the top 14 members of EDS's former executive council had gone and others were likely to follow as the new management brought in its own team.

EDS said: "Turnover in all positions is certainly a reality in a company of our size." The two latest departures were unrelated, it added, as Mr Harris intended to pursue venture capital activities while Mr Rudin "left for personal reasons".

Mr Brown, former chief executive of Cable and Wireless, has begun a cost-cutting programme that includes getting rid of five of the group's nine corporate jets and scrapping reserved parking for executives.

Each employee at EDS, which was founded by Ross Perot and counts the US and UK governments among its largest clients, has been asked to find $1,000 of cost savings.

The company is the world's largest computer services group after IBM.

In addition, analysts expect Mr Brown to dispose of the group's least profitable businesses, and to make further acquisitions.

Since his arrival at EDS, Mr Brown has sealed an alliance with MCI WorldCom, in which EDS took over MCI's computer operations through an outsourcing contract and bought its computer services unit for $1.65bn.

"Investors are favourably receiving the turnround action," Mr McClellan said, but the results of those actions will take time to show through, he added. First-quarter results, due on April 29, are expected to be weak, with earnings per share likely to fall from 43 cents to 35 cents.

Mr Brown is expected to give more details of cost-cutting, acquisition and divestment plans, as well as recent outsourcing contracts, at a briefing on April 29.

NEWS DIGEST

ELECTRONICS

AMP chief quits 'to pursue other opportunities'

Robert Ripp, who took over as chairman and chief executive of AMP last year after the US electrical and electronic connector business received a hostile $10bn bid from AlliedSignal, is to resign from the company at the end of this month.

After bitterly contesting the AlliedSignal offer, AMP found a "white knight" in Tyco, the acquisitive conglomerate, and agreed to an $11.3bn share swap offer. When the deal was announced, it was suggested that Mr Ripp would serve on the Tyco board and continue as president of AMP.

However, as shareholders approved the deal last week, Mr Ripp issued a statement saying he had "come to realise that I want to pursue a number of other exciting opportunities. As such I have decided to resign . . . and not stand for election to Tyco's board of directors."

Mr Ripp joined AMP in 1994 after almost three decades with IBM. His elevation to the top job was unusual, coming when the company was already in the midst of the bid battle – and was accompanied by an accelerated restructuring plan, designed to persuade shareholders not to accept the AlliedSignal bid. **Nikki Tait, Chicago**

Philips extends offer for VLSI

Philips, the Dutch electronics group, has extended its $17 a share offer for VLSI Technology, the Californian semiconductor company, until April 16. VLSI once again urged its shareholders to reject the offer. Philips said only 144,000 shares, of a total of 46.6m, had accepted the offer by the first closing date of April 1.

VLSI shares were unchanged on Friday at $19¾. The Dutch group launched its hostile bid on March 5, after VLSI rebuffed its approaches. The offer of $17 represents a premium of 58 per cent over the VLSI share price of $10¾ on the day before Philips' interest in buying the company became public.

Philips is thought to be one of a number of companies to have expressed interest in buying VLSI, which produces custom-made chips used in a range of devices such as cellphones, video games and satellite TV boxes, as well as computers. VLSI has resisted all takeover offers, and announced last week that it had received its largest ever order, from Korea's Samsung Electronics, for $34m worth of chipsets for cellphones. **Roger Taylor, San Francisco**

BANKING

Vontobel lifts profits by 46%

Vontobel Group, parent of Zurich's second biggest private bank, increased its 1998 pre-tax profits by 46 per cent to SFr252.4m ($170.5m) and boosted its return on equity to 31.3 per cent.

Vontobel's 1998 performance underscores the sharp improvement in profitability of Switzerland's private banks over the past three years. Vontobel's net profits have jumped from SFr44m in 1995 to SFr198.6m in 1998 and assets under management have more than doubled to SFr54.9bn.

Julius Baer, Vontobel's bigger rival, increased its return on equity to 21.6 per cent in 1998. Both Zurich banks have been capturing business from UBS and Credit Suisse, Switzerland's big two banks, and their limited exposure to investment banking has allowed them to generate much higher returns on equity.

Vontobel's net fee and commission income rose by a third, to SFr348m, and its trading profits rose by 57 per cent, to SFr174m. By contrast UBS's trading income fell 68 per cent and Credit Suisse's trading income fell 55 per cent in 1998. Vontobel is increasing its dividend by 25 per cent, to SFr50 per bearer share, and proposing an extraordinary dividend of SFr75 per bearer share to mark its 75th anniversary. **William Hall, Zurich**

FUTURES EXCHANGE

Eurex outstrips CBOT

Eurex, the European futures exchange, notched up record monthly trading volumes in March – meaning that it has now outstripped the Chicago Board of Trade as the world's largest futures market for the first quarter of 1999. Eurex said that 33.8m contracts were traded in March, a 74 per cent increase over the figure a month earlier, and well ahead of 28.8m contracts exchanged in September last year, the previous monthly high for the exchange. It is the first time that a futures exchange has claimed to have handled more than 30m contracts in a single month.

By contrast, the Chicago Board of Trade saw volumes dip slightly, year-on-year, last month. Total volume was 23.4m contracts, compared with 23.6m in March 1998 and 25.6m in February. Volumes in agricultural and stock index futures were up year-on-year, but financial futures saw a decline in volume. **Nikki Tait**

CORRECTION

Insurance companies

Due to a tabulation error by the Financial Times, the status of some US insurance companies was stated incorrectly in a table in the edition of April 1. TIAA, New York Life and Northwestern Mutual are mutual companies. Hartford Financial and Cigna are public.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BP Amoco (UK)	Atlantic Richfield (US)	Oil & gas	$26.8bn	New number two
Viag (Germany)	Alusuisse-Lonza (Switz)	Conglomerate	$10bn	No consummation
Renault (France)	Nissan Motor (Japan)	Auto mnfctr	$5.4bn	Three-tier deal
Huntsman (US)	Units of ICI (UK)	Chemicals	$2.8bn	Disposal attempt
Endesa (Spain)	Enersis (Chile)	Power	$1.45bn	Vote clears way
Fiat (Italy)	Pico (US)	Auto mnfctr	$830m	Leadership bid
York International (US)	Sabroe Refrig (D'mark)	Refrigeration	$568m	Lauritzen exit
Schawk (US)	Wace (UK)	Printing srvcs	$167m	Bid withdrawn
Smiths Industries (UK)	STS (US)	Aerospace eqpmnt	$14.5m	Technology move
Ericsson (Sweden)	Unit of Qualcomm (US)	Telecoms eqpmnt	n/a	Ends patent row

MARKETS WEEK

April 5 - April 11

LIFFE CONNECT™
LIFFE's New Electronic Trading Platform

NEW YORK

By Andrew Edgecliffe-Johnson

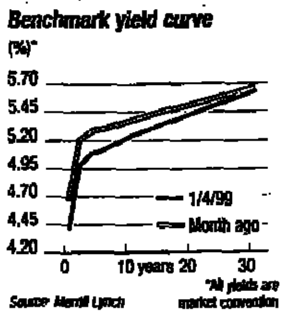
With few market-moving economic indicators due out this week, developments in Kosovo may have as much of an impact on market sentiment as any fresh statistics. However, attention is likely to focus on the March producer price index, due on Friday.

Analysts expect the index to show a 0.3 per cent increase due to sharply higher oil prices ahead of the recent OPEC production agreement and poor weather. Such a rise would reverse the decline in February. The core PPI number (which excludes food and energy) is expected to be unchanged. The figures will be closely scrutinised for any signs of incipient inflation, although the indications are expected to be benign. Oil prices may have a greater impact on next month's PPI figures.

The import price index, out on Thursday, is also expected to have been pushed higher by rising petroleum prices. On Wednesday, consumer credit data should show a $6bn increase for February, confirming the strength of consumer spending.

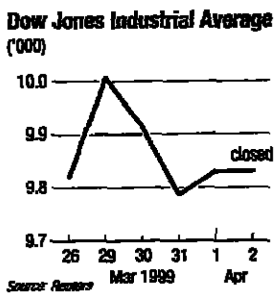
Other figures due this week include domestic vehicle sales, which are thought to have slipped slightly.

Benchmark yield curve



Source: Merrill Lynch

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

There is no doubt about the main event of the holiday-shortened week as far as the UK market is concerned – the meeting of the Bank of England's monetary policy committee.

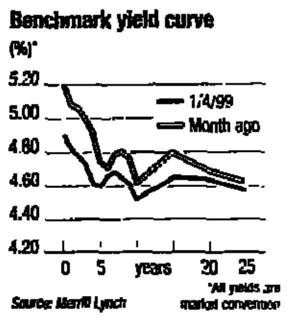
The fall in inflation below the government's 2.5 per cent target level and the recent strength of the pound has encouraged many analysts to hope for a further cut in interest rates. Twenty-three out of 27 polled by Reuters are predicting a quarter-point reduction.

But HSBC says "the urgency to loosen policy has diminished somewhat since the end of last year and on balance, we expect the next cut to come in May, just ahead of the inflation report".

The European Central Bank will also announce its rates decision on Thursday. A reduction in mainland Europe, but not in the UK, would be likely to put further upwards pressure on sterling, with adverse effects on the manufacturing sector.

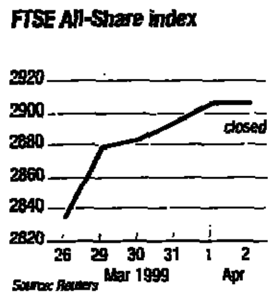
Figures on that sector's progress will be released on Wednesday, with industrial production expected to drop by 0.2 per cent in February (0.4 per cent year-on-year) while manufacturing output is forecast to fall 0.3 per cent month-on-month and 1.6 per cent year-on-year.

Benchmark yield curve



Source: Merrill Lynch

FTSE All-Share index



Source: Reuters

FRANKFURT

By Tony Barber

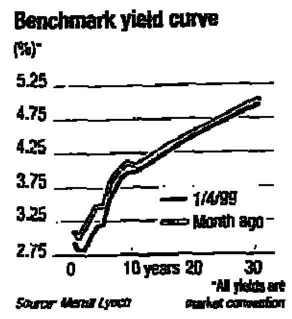
A better-than-expected performance immediately before the Easter holiday has raised hopes that Frankfurt's Xetra Dax blue-chip index will rise above 5,000 points for the first time in two weeks. But trading is likely to remain thin while uncertainty continues over the scale and duration of the Kosovo war.

The main event of the week is Thursday's meeting of the European Central Bank's policymaking governing council. Economists are expecting a small cut of up to 0.25 percentage points in the ECB's main refinancing rate, but are divided as to whether it will happen on Thursday or later in April. Some market analysts say the Dax did well to finish last week at 4,901.81 points, up 2.3 per cent on the previous week's close.

Though still below the level of 5,006 at which it started the year, the Dax now shows potential to surge to 5,200, they say.

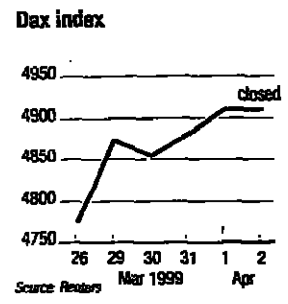
Bank and telecommunications stocks will have a high profile this week. Mannesmann is giving details tomorrow of its acquisition of Otelo's fixed-line telephony business, and Dresdner Bank will hold its annual news conference on Friday.

Benchmark yield curve



Source: Merrill Lynch

Dax index



Source: Reuters

TOKYO

By Naoko Nakamae

The Tokyo equity market made a strong start to the fiscal year, despite a succession of weak economic data, which included the announcement of record high unemployment in February, as well as poor retail sales and industrial production figures.

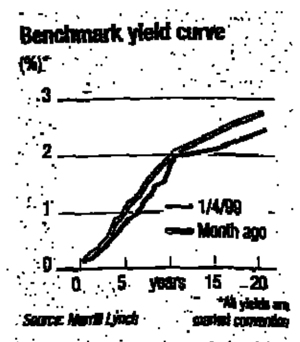
The benchmark Nikkei 225 index closed at 16,290.19 on Friday, up 304.15 points on the week, amid several announcements of sweeping restructuring and some high profile joint ventures.

The bond market also made a good start to the fiscal year, with the yield on the benchmark 10-year government bond falling 5 basis points to 1.58 per cent over the week.

But this week all eyes will be on the results of the Bank of Japan's Tankan business conditions survey, which will be released today. Investors will be watching for signs of improvement in business sentiment. The Tankan survey will also provide indications of future capital expenditure.

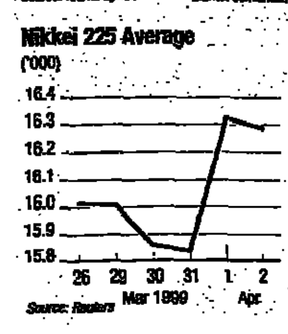
March wholesale prices and private machinery orders, due out on Thursday and Friday, are expected to fall. The Bank of Japan will also be holding its monetary and policy meeting on Friday, but analysts do not expect a change in policy.

Benchmark yield curve



Source: Merrill Lynch

Nikkei 225 Average



Source: Reuters

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§175	F.P.	133.0	293½	205	Aston Group	272½		-	-	-	-
-	F.P.	29.9	100	99½	BG Endowment II	99½		-	-	-	-
-	F.P.	18.9	119½	95½	Cairngorm Restract	114	+6½	-	-	-	-
-	F.P.	0.63	27	17½	Do Wrts	19	-6	-	-	-	-
-	F.P.	-	340	329	Canary Wharf	337½		-	-	-	-
	F.P.	60.3	103½	99	Enhanced Zero Tst	100½		-	-	-	-
*	F.P.	39.5	8	7	Gander Properties	7½		-	-	-	-
§	F.P.	21.4	107½	98½	Gartmore High In	107		K7.2	-	6.7	-
	F.P.	10.7	108	101½	Do Zero Prf	106½		-	-	-	-
§	F.P.	94.0	100½	92½	Govett Enhanced	94		H7.5	-	10.0	-
-	F.P.	-	105½	100	Do Zero Div Pref	102½		-	-	-	-
§	F.P.	49.3	103½	94¼	Jupiter Enhanced	103¼	+1¼	-	-	-	-
§	F.P.	47.9	110	103¼	Do Zero Div Prf	108		-	-	-	-
	F.P.	-	360	245	Luminar Warrants	255		-	-	-	-
-	F.P.	80.3	77½	69	M Currie Cap Ret	75½		-	-	-	-
-	F.P.	254.7	90½	79	M Currie Portfolio	79½		-	-	-	-
-	F.P.	-	104½	92½	Mercury Asset Allocator	104½		-	-	-	-
-	F.P.	298.5	252½	237½	Morse Hldgs	242½	-1½	-	-	-	32.9
-	F.P.	-	102½	100	Murray Global Rtn Pf	102¼		-	-	-	-
-	F.P.	-	190	181	Murray Global Rtn Uts	184¼	-¼	-	-	-	-
-	F.P.	-	190	185	Murray Global Rtn B	185		-	-	-	-
-	F.P.	5.39	110½	107½	†NBA Quantum	110		W-	-	-	11.2
*	F.P.	13.4	157½	55½	†Sports Internet	152½	+3	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1999 High	1999 Low	Stock	Closing price p	+or-
320	Nil	6/4	30pm	15pm	First Tech Cv Pf	30pm	+2
275	Nil	15/4	30pm	15½pm	Holmes Place	18pm	+½
406	Nil	7/4	98pm	42½pm	Waste Recycling	42½pm	-2½

pm premium.

FTSE GOLD MINES INDEX

	Apr 1	% chg on day	Mar 31	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (26)	870.37	+0.18	869.00	1144.49	2.12	878.53	1351.57	701.58
Regional Indices								
Africa (9)	1003.52	+2.07	983.19	1126.03	4.14	1022.72	1488.04	765.63
Australasia (9)	1093.39	+0.94	1083.23	1412.44	2.91	1108.36	1800.53	815.93
Americas (11)	788.74	-0.98	796.34	1128.83	0.92	791.88	1317.41	647.69

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STOCK INDICES

	Apr 1	Mar 31	Mar 30	Mar 29	Mar 26	1999 High	1999 Low	Since comp. High	Since comp. Low
FTSE 100	6330.0	6295.3	6264.1	6252.9	6138.2	6335.7	5770.2	6335.7	986.9
FTSE 250	5453.3	5475.2	5475.8	5469.4	5453.9	5580.8	4829.1	5866.6	1379.4
FTSE 250 ex IT	5498.8	5524.0	5528.4	5523.7	5512.4	5811.2	4834.1	6030.0	1378.3
FTSE 350	3003.2	2991.2	2978.7	2973.7	2928.7	3008.9	2749.0	3546.4	664.5
FTSE SmallCap	2404.99	2399.88	2396.36	2394.53	2394.31	2404.99	2062.76	2808.09	1363.79
FTSE SmallCap ex IT	2375.87	2371.72	2369.23	2369.25	2370.13	2375.87	2039.63	6554.10	1363.79
FTSE All-Share	2906.22	2894.79	2883.10	2878.34	2835.04	2906.34	2654.62	2906.34	61.92
FTSE Fledgling	1304.73	1301.83	1302.61	1301.70	1298.47	1304.73	1152.50	1617.11	31.14
FTSE Eurotop 100	2930.87	2920.06	2903.26	2912.21	2857.21	2930.87	2663.70	3066.91	3044.47
FTSE Eurotop 300	1261.06	1256.88	1250.71	1256.77	1237.66	1261.32	1164.86	1327.66	874.06
FT 30	3838.6	3835.0	3802.9	3804.0	3747.3	3841.8	3423.9	3984.0	49.4
FT Govt Securities	113.22	113.36	113.36	113.41	113.41	117.17	112.01	141.84	49.18
FT Fixed Interest	153.82	153.76	153.60	153.42	153.84	158.89	153.27	158.69	50.53
FTSE Gold Mines	870.37	869.00	848.36	860.70	879.04	1048.27	848.36	2074.81	701.58

COMPANIES DIARY

Forecasts point to slowdown in UK growth

The slowing of the stream of results this week provides analysts and commentators with an opportunity to update their forecasts in the light of the trading updates and numbers from companies during the past month or so. Consensus forecasts from organisations such as IBES and First Call, the estimates services point to expectations of slowing growth in the UK market.

Figures from IBES show that just four months ago, expected growth in earnings per share for the next 12 months was some 15 per cent. However, that figure has now shrunk to 8 per cent. First Call's figures also show a slowing, albeit on a smaller scale. Statistics from its slightly different universe produces a fall from growth of almost 11 per cent at the end of January to a little over 10 per cent now.

This decline in forecasts from analysts that follow individual companies – known as a "bottom up" approach – is a result of the results announcements and trading updates that have been affected by last year's global economic turmoil.

However, strategists – who take a macro-economic view called a "top down" approach – seem now to be increasing their forecasts for earnings per share as evidence mounts that the UK economy will enjoy a soft landing rather than the recession that many expected to result from the strength of sterling and Asian troubles.

John Gardiner, Laird chairman, likely to announce profits down from £70m to £42.5m

The strategy team at Credit Suisse First Boston recently raised their forecast for earnings per share growth in the UK market from zero to 3 per cent.

Investors in the FTSE SmallCap index, which has underperformed the market by 12 per cent in the past year, can take hope from numbers from IBES that suggest growth of 12 per cent is now expected among smaller companies during the next 12 months. This compares with forecast growth of 7.8 per cent in the FTSE 100 index.

However, the calculations may be skewed by expectations of a low oil price hitting the performance of companies such as BP Amoco, which have a heavy weighting in the Footsie. Those expectations may be revised upwards in the light of the recent strong bounce in the oil price, which has risen more than 40 per cent in just over a month.

THURSDAY

● **Laird Group**, the SmallCap engineer, is expected to produce pre-tax profits of £42.5m ($68.6m), according to a consensus of forecasts from First Call. This would be a fall from the £70m last year. BT Alex Brown has told clients that these figures will be affected by lower profits resulting from delayed model launches, higher start-up costs in Germany and Spain, increased pricing pressure and falling sales of personal computers. However, these problems may ease in the coming year. Laird has seen its share price rise from 125p to 220p as smaller engineers have attracted bid speculation, and there is a possibility that once these results are out of the way, there may be some action on this front.

● **Silentnight Holdings**, the bedmaker, is expected to show a pre-tax profits fall of about 6 per cent, according to figures from IBES. The £16m expected this year will have been affected by a significant drop in UK consumer confidence during the last quarter, although cost savings are expected to assist in a recovery.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Provident Bank HELT(a)‡	515	-	-	-	-	-	Lehman Brothers
Banco Popolare di Verona‡	300	Apr 2006	(b)	99.757R	-	-	ABN Amro
Republic of Argentina	1bn	Apr 2009	11.75§	97.636	12.16	+690(Nov08)	Chase/Goldman Sachs
GMAC(s)	1.1bn	Apr 2007	6.15§	99.663R	6.204	+83(6⅝May07)	Bear Stearns/Warburg
GMAC‡	1bn	Apr 2004	(k,s)	99.825R	-	-	Barclays/Bear Stearns
Halifax plc(m)‡	500	Apr 2009	(m1,l)	99.78	-	-	Barclays Capital
PDVSA Finance Ltd(2,s)	400	Feb 2004	8.75(q)	99.657R	8.985	+387½(Mar02)	Goldman Sachs
PDVSA Finance Ltd(3,s)	250	Nov 2007	9⅜(q)	99.39R	9.610	+425(Feb06)	Goldman Sachs
PDVSA Finance Ltd(4,s)	250	Feb 2010	9.75(q)	99.324R	9.980	+475(Nov08)	Goldman Sachs
PDVSA Finance Ltd(5,s)	100	Feb 2020	9.95(q)	95.571R	10.62	+490(Nov28)	Goldman Sachs
Telewest Comms plc(v1)	500	Apr 2009	(v3)#	63.628	9.250	+402(Nov08)	DLJ International
Rabobank Nederland(n)	100	Dec 2001	5.00	99.05R	5.380	+33(4⅞Mar01)	Warburg Dillon Read
Jazztel plc(z)♦	100	Apr 2009	14(s)	100.00	14.00	+874(Nov08)	CSFB/Merrill Lynch
EUROS(e)							
Fortis Finance NV(e)	1.25bn	Apr 2009	4.625	99.10R	4.740	+70(3¾Jan09)	Lehman Brothers
DePfa Bank(c,p)‡	250	Apr 2002	(c1,l)	100.10	-	-	Goldman Sachs
Cregem Finance NV	130	Apr 2009	(d)	100.00	-	-	Dexia Capital Markets
Financiere Agache(h)§	500	Apr 2004	zero	100.00	-	-	Crédit Lyonnais
Sonera Group	300	Apr 2009	4.625	99.272R	4.718	+68(3¾Jan09)	Merrill/JP Morgan
Banca del Salento‡	200	Apr 2001	(f)	100.00R	-	-	Deutsche/Rabobank
Achmea Hypotheekbank‡	500	Apr 2004	(m)	99.77R	-	-	ABN Amro/Salomon SB
Dexia Hypotheken Berlin(p)‡	500	Apr 2001	(o)	100.12	-	-	Salomon Smith Barney
Enron Corp(i)	400	Apr 2005	4.375	99.613R	4.450	+90(7½Apr05)	Lehman/Paribas
PDVSA Finance Ltd(t1)	200	Apr 2006	6.25(q)	98.655R	6.650	+331½(Mar04)	Goldman Sachs
Banco di Napoli(u)‡	100	Apr 2004	(u1)	99.725R	-	-	Morgan Stanley DW
BCP Finance Bank‡	100	Apr 2001	(x)	99.927(R)	-	-	Bank Austria
Household Intl Inc‡	70	Apr 2002	(y,s)	100.093	-	-	Merrill Lynch
Jazztel plc(z)♦	110	Apr 2009	14(s)	100.00	14.00	+1000(Apr09)	CSFB/Merrill Lynch
STERLING							
Kingdom of Spain	200	Apr 2029	5.25	98.602R	5.345	+70(6%Dec28)	Barclays Capital
Powergen UK plc	200	Apr 2024	6.25§	97.864R	6.423	+170(8%-21)	HSBC Mids/Warburg DR
BNG(g)	50	Jun 2021	5.375	101.079	5.290	-	Dresdner KB
Reseau Ferre de France	200	Dec 2028	5.25(s)	98.72R	5.34	+79(6%Dec28)	Warburg Dillon Read
Telewest Comms plc(v3)	325	Apr 2009	(v4)#	61.758	9.875	+539(5¾-09)	DLJ International
SWISS FRANCS							
Republic of Austria	500	Aug 2009	3.00(s)	102.35	-	-	CSFB
Ned Waterschapsbank	200	May 2004	2.25	101.90	-	-	ABN Amro
AUSTRALIAN DOLLARS							
Commerzbank	100	Dec 2002	5⅞(s)	100.905	-	-	RBC DS Global Markets
HypoVereinsbank	100	Dec 2002	5⅞(s)	100.90	-	-	TD Securities
CANADIAN DOLLARS							
HypoVereinsbank	100	Apr 2004	5.25	99.34R	5.404	+32½(Sep03)	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ♦With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Home Equity Loan Trust. Series 1999-1, 3-tranche asset backed. b) 3-mth Libor +15bp. c) €750m launched last week was increased to €1bn. c1) 3-mth Euribor -2bp. d) Equity-linked formula. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. g) Fungible with £100m. Plus 141 days accrued. h) Each €290 bond exchangeable into one LVMH share. Redemption price: €324.15. Callable from 23/4/02, subject to 120% hurdle, at accreting value. i) Over interpolated yield. j) 6-mth Euribor +40bp. k) 3-mth Libor +25bp. l) Long 1st coupon. m) Callable on 16/4/04 at par. m1) 3-mth Libor +35bp. n) 3-mth Euribor +20bp. o) 6-mth Euribor flat. p) Oeffentliche Pfandbrief. q) Quarterly coupons. s) Short 1st coupon. t) Makewhole call at relevant benchmark +50bp. Amortises, average life yrs: t1) 4.99, t2) 2.99, t3) 6.99, t4) 9.98, t5) 19.98. u) €300m launched 24/3/99 increased to €400m. u1) 3-mth Euribor +30bp. v1) Callable from 15/4/04 at 104.625% falling to par. v2) zero to 15/4/04, then 9.25%. v3) Callable from 15/4/04 at 104.938% falling to par. v4) zero to 15/4/04, then 9.875%. w) Fungible with $550m. Plus 121 days accrued. x) 3-mth Euribor +8¼bp. y) 3-mth Euribor +23bp. z) Denom: $1,000/€1,000 +5 wrts, each wrt to 30.61/32.91 ords upon occurance of certain events at €0.01 per ord. Equity clawback prior to 1/4/02. Callable from 1/4/04 at 107% falling to par. Note: Yields are calculated on ISMA basis.

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CURRENCIES & MONEY

Traders eye policy

By Robert Chote, Economics Editor

Traders will have food for thought in the policy meetings scheduled at the European Central Bank and Bank of England this week, with opinions divided on the prospects for lower interest rates in each case.

Growth in the broad measure of euro-zone money supply has moved further above the 4.5 per cent reference rate specified by the ECB, but declines in business confidence in France and Germany lead many analysts to expect a rate cut before the end of the second quarter.

Speculation about a rate cut weakened the euro at the end of last week. The reaction to a move this week might well depend on the rhetoric that accompanies it: namely whether there are more cuts signalled to come. Some officials at the International Monetary Fund, for example, favour 100 basis points off by mid-summer.

With trading quiet for Good Friday, the euro was unable to take much comfort from the weakness of US non-farm payrolls at the end of last week. The data made the chances of a near-term US interest rate increase more remote.

Sterling's recent strength against the euro may be one of the factors that prompt the Bank of England to cut rates this week. As with the ECB, most analysts expect UK rates to drop again – although not necessarily at this week's meeting. If they do, then sterling could weaken.

The conflict in Kosovo will also continue to hang over the market, probably providing support for the dollar. A survey by Market News International suggested last week that an early resolution to the conflict would see the euro strengthen against the dollar by at least 2 or 3 per cent.

The euro is expected to remain weak against the dollar in the short term, but some analysts see a strengthening towards the end of the month.

POUND SPOT FORWARD AGAINST THE POUND

† Rates for Mar 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.42	16.26	4.848	1.952	4800	5.463	20.68	497.0	412.5	22.02	3.959	1.667	4.005	2.674	322.4	2.479
Denmark	(DKr)	54.28	10	8.827	2.632	1.060	2606	2.965	11.23	269.8	223.9	11.96	2.149	0.905	2.174	1.452	175.0	1.346
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.72	305.6	253.7	13.54	2.434	1.025	2.463	1.645	198.3	1.525
Germany*	(DM)	20.63	3.800	3.354	1	0.403	990.0	1.127	4.265	102.5	85.07	4.543	0.816	0.344	0.826	0.552	66.50	0.517
Ireland*	(I£)	51.22	9.436	8.329	2.483	1	2459	2.798	10.59	254.6	211.3	11.28	2.028	0.854	2.052	1.370	165.2	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.431	10.35	8.593	0.459	0.082	0.035	0.083	0.056	6.718	0.052
Netherlands*	(Fl)	18.31	3.372	2.977	0.888	0.357	878.6	1	3.785	90.97	75.50	4.032	0.725	0.305	0.733	0.490	59.02	0.454
Norway	(NKr)	48.36	8.908	7.863	2.345	0.944	2321	2.642	10	240.3	199.5	10.65	1.914	0.806	1.937	1.293	155.9	1.199
Portugal*	(Es)	20.12	3.707	3.272	0.976	0.393	965.8	1.099	4.161	100	82.99	4.432	0.797	0.336	0.806	0.538	64.88	0.499
Spain*	(Pta)	24.24	4.466	3.942	1.175	0.473	1164	1.324	5.014	120.5	100	5.340	0.960	0.404	0.971	0.648	78.17	0.601
Sweden	(SKr)	45.40	8.364	7.383	2.201	0.885	2179	2.480	9.389	225.7	187.3	10	1.797	0.757	1.818	1.214	146.4	1.126
Switzerland	(SFr)	25.26	4.654	4.108	1.225	0.493	1213	1.380	5.224	125.5	104.2	5.564	1	0.421	1.012	0.676	81.45	0.626
UK	(£)	59.98	11.05	9.753	2.908	1.171	2879	3.276	12.40	298.1	247.4	13.21	2.374	1	2.402	1.604	193.4	1.487
Canada	(C$)	24.97	4.600	4.060	1.211	0.487	1198	1.364	5.163	124.1	103.0	5.499	0.988	0.416	1	0.668	80.51	0.619
USA	($)	37.39	6.889	6.080	1.813	0.730	1795	2.043	7.733	185.6	154.2	8.236	1.480	0.623	1.498	1	120.6	0.927
Japan	(Y)	31.01	5.713	5.043	1.504	0.606	1489	1.694	6.413	154.1	127.9	6.831	1.228	0.517	1.242	0.829	100	0.769
Euro	(€)	40.34	7.431	6.560	1.956	0.788	1936	2.204	8.342	200.5	166.4	8.885	1.597	0.673	1.616	1.079	130.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member

WORLD INTEREST RATES

MONEY RATES

Apr 1	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro-zone	3	[illegible]	[illegible]	[illegible]	[illegible]	–	3.00	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	3.00	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	[illegible]	[illegible]	[illegible]	5	[illegible]	–	4.50	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	4.50	–
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
$ LIBOR BBA London								
Interbank Fixing	–	[illegible]	5	[illegible]	[illegible]	–	–	–
week ago	–	[illegible]	5	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	4.77	4.80	4.83	4.96	–	–	–
week ago	–	4.74	4.77	4.81	4.95	–	–	–
Euro Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	3	3	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
BBA Euro Libor	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	3	3	[illegible]	3	–	–	–
Euro Euribor	–	2.963	2.942	2.920	2.939	–	–	–
week ago	–	3.008	2.998	2.975	2.992	–	–	–
EONIA	2.98	–	–	–	–	–	–	–
week ago	2.99	–	–	–	–	–	–	–
EURONIA	–	–	–	–	–	–	–	–
week ago	2.9805	–	–	–	–	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.96	94.99	–	95.00	94.97	59,672	455,049
Sep	94.84	94.89	–	94.92	94.86	109,445	447,768
Dec	94.47	94.56	–	94.58	94.53	33,892	351,411

US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.71	95.70	+0.03	–	95.69	23	1,516

UK GILTS PRICES

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ✣ Indicative price.

D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.5621	0.5537	+0.0014	0.5557	0.5507	6,817	33,809
Sep	0.5576	0.5567	+0.0014	–	–	11	1,251
Dec	0.5570	0.5599	+0.0014	–	–	–	140

SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.6885	0.6807	+0.0015	0.6829	0.6772	14,402	63,200
Sep	0.6882	0.6871	+0.0015	–	–	3	348
Dec	0.6915	0.6936	+0.0015	–	–	–	6

JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.8645	0.8379	–0.0107	0.8526	0.8367	32,857	79,990
Sep	0.8508	0.8483	–0.0107	0.8508	0.8480	181	1,753
Dec	0.8730	0.8586	–0.0107	–	–	2	403

STERLING FUTURES (CME) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.6276	1.6026	–0.0082	1.6130	1.6000	7,025	53,172
Sep	1.6050	1.6030	–0.0082	1.6178	1.6180	2	1,338
Dec	1.6286	1.6040	–0.0082	–	1.6130	–	30

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50		
Bnt Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	6.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

● Members of London Investment Banking Association

UK INTEREST RATES

LONDON MONEY RATES

Apr 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 12, 4.8834pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1999. Agreed rate for period Apr 26, 1999 to May 25, 1999, Scheme III 6.65pc. Reference rate for period Feb 27, 1999 to Mar 31, 1999, Schemes IV & V 5.410pc. Finance House Base Rate 5.5pc for Apr 1999

INTERNATIONAL CURRENCY RATES

Apr 1	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 01	Mar 26		Apr 01	Mar 26
Bills on offer	£200m	£200m	Top accepted rate	4.8533%	4.8934%
Total of applications	£1,090m	£1,074m	Ave. rate of discount	4.8433%	4.8669%
Total allocated	£200m	£200m	Average yield	4.9025%	4.9267%
Min. accepted bid	£98.790	£98.780	Offer at next tender	£200m	£200m
Allotment at min. level	100%	13%	Min. accept. bid 28 days	£99.610	£99.610

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.555	0.54	0.85	1.09	0.34	0.56	0.75
0.565	0.30	0.59	0.83	0.59	0.81	0.98
0.580	0.12	0.41	0.63	0.94	1.12	1.24

Previous day's vol., Calls 0 Puts 0. Prev. day's open int., Calls 125 Puts 221

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.620	0.25	0.87	1.33	2.10	2.67	3.09
1.630	0.12	0.48	1.04		-	-
1.640	-	0.38	0.50	3.75	-	4.49

Previous day's vol., Calls 0 Puts 0. Prev. day's open int., Calls 535 Puts 1,373

BENCHMARK GOVERNMENT BONDS

Apr 1	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.5485	4.84	–0.03	+0.01	–0.23	–0.11
	09/08	8.750	124.1040	5.43	–0.04	+0.06	–0.17	–0.23

London closing. * New York closing. Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents. Source: Interactive Data/FT Information

POUND IN NEW YORK

Apr 1	Close	Prev. close
£ spot	1.6030	1.6120
1 mth	1.6025	1.6120
3 mth	1.6020	1.6116
1 yr	1.6013	1.6148

OTHER CURRENCIES

Apr 2	£	$
Czech Rp	57.1179 - 57.2017	35.6230 - 35.6530
Hungary	376.943 - 377.860	235.090 - 235.390
Iran	4813.20 - 4810.20	3000.00 - 3000.00
Kuwait	0.4894 - 0.4900	0.3052 - 0.3054
Peru	5.3409 - 5.3507	3.3310 - 3.3350
Poland	6.4136 - 6.4417	4.0000 - 4.0150
Russia	41.9449 - 42.2599	26.1600 - 26.3400
U.A.E.	5.8890 - 5.8931	3.6728 - 3.6731

BANK RETURN

The Bank Return table can be found on page 29 in today's edition.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 2, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7542.54	4702.62	5072.95	3900.16
Albania	(Lek)	230.161	143.500	154.801	119.013
Algeria	(Dinar)	106.275	66.2595	71.4781	54.9529
Andorra	(French Fr)	9.7529	6.0807	6.5596	5.0431
	(Sp Peseta)	247.385	154.240		
Angola	(Readj Kwanza)	412407.8	257129.0		
Antigua	(E Carib $)	4.3305	2.7000		
Argentina	(Peso)	1.6028	0.9993		
Armenia	(Dram)	816.995o	509.380		
Aruba	(Florin)	2.8389	1.7700		
Australia	(Aus $)	2.5289	1.5767		
Austria	(Schilling)	20.4580	12.7556		
Azerbaijan	(Manat)	6335.41o	3950.00		
Azores	(Port Escudo)	298.079	185.847		
Bahamas	(Bahama $)	1.6039	1		
Bahrain	(Dinar)	0.6047	0.3770		
Balearic Is	(Sp Peseta)	247.385	154.240		
Bangladesh	(Taka)	77.7893	48.5000		
Barbados	(Barb $)	3.2078	2.0000		
Belarus	(Rouble)	352858.2o	220000.0		
Gibraltar	(Gib £)	1	0.6235	0.6726	[illegible]
Greece	(Drachma)	485.244	302.540	326.365	[illegible]
Greenland	(Danish Krone)	11.0492	6.8889	7.4314	[illegible]
Grenada	(E Carib $)	4.3305	2.7000	2.9126	[illegible]

Abbreviations: (o) Official rate; (m) Market rate; (f) Free rate; (c) Commercial rate; (d) Principal rate. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. FT Friday, April 2, 1999

مكذا من الاصل

EURO PRICES

EQUITIES

Jaded bourses hope for better quarter

EUROPEAN OVERVIEW

By Vincent Boland

Investors in European shares are hoping the next three months will bring more cheer than the quarter just ended.

Despite starting in a blaze of glory with the launch of the euro and a burst of mergers and acquisitions activity, bourses are looking a little jaded, observers agree, even without the potential of the war in the former Yugoslavia to cause further damage in the next few weeks.

The FTSE Eurotop 300 index of Europe's leading stocks rose a modest 6.44 per cent in the first quarter of 1999 to 1,258.89 while the FTSE Eurotop 100 index rose 7.2 per cent to 2,920.06.

The FTSE Ebloc index of shares in euro-zone countries gained 3.32 per cent to 1,031.48.

These performances pale in comparison with the Dow Jones Industrial Average, which broke through the 10,000 barrier last week before retreating a little. And they are compounded by the weakness of the euro – a trend not predicted when it was launched – which fell 8 per cent against the US dollar in the first three months of its existence.

Part of the explanation for the trend in European markets has been a sharp reversal in the recent fortunes of the sectors – pharmaceuticals, telecommunications and media – that led an early surge in performance. Telecoms, especially, have been knocked off their perch by the energy sector, which outperformed in March by 15 per cent, according to Salomon Smith Barney.

Mark Howdle, European market strategist at Salomon, attributes the reversals to rising bond yields, which are bad news for growth sectors.

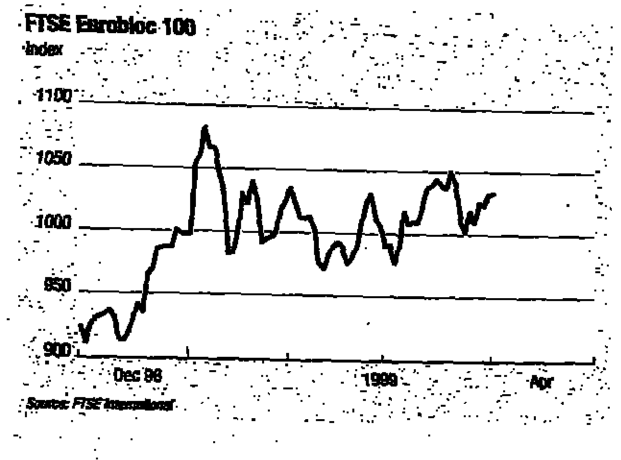
If the remarkable rate of growth of the US economy continues, oil prices keep rising and the Kosovo conflict escalates, bond market yields will rise further, he says.

"This should be a serious concern for equity investors, since current high valuation multiples are closely linked to exceptionally low bond yields," Mr Howdle writes in his April commentary on euro-zone markets.

"Since we believe that bond market movements explain the recent sell-off in growth stocks, we suspect that further rises in bond yields could produce more of the same reaction."

FTSE Eurobloc 100

Index



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	97.180	97.195	+0.015	97.215	97.180	49438	195072
Sep	97.220	97.240	+0.025	97.265	97.220	44976	195266
Dec	97.025	97.040	+0.030	97.060	97.025	19792	110192
Mar	97.165	97.160	+0.005	97.185	97.155	16154	98293

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	97.200	97.195	+0.015	97.210	97.200	150	106088
Sep		97.240	+0.025			0	93016
Dec		97.040	+0.030			0	83218
Mar		97.160	+0.005			0	84051

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97125	0.130				0.080			
97250	0.065	0.120	0.105	0.165	0.120	0.130	0.315	0.255
97375	0.030				0.210			
97500	0.010	0.045	0.045	0.080	0.315	0.305	0.505	0.420

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 162384 Puts 98447

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2920.0	2940.0	+5.0	2950.0	2920.0	105	5606

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P
Apr	230	11	185	16	142	21	103	35	70	53	44	78	20	110	-	-
May	261	47	223	58	186	71	152	87	95	147	74	175	55	207	146	5

Est vol total 800 . Prev day's open interest total: 13,846 . Premiums shown are based on settlement prices.

OTHER INDICES

	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3588.39	3565.53	3530.73	3615.98	3260.29	3670.82	2433.07
DJ Euro Stx 50	3573.69	3559.86	3523.24	3685.36	3325.56	3685.36	2419.23
MSCI Europe	(u)	1218.74	1217.99	1228.12	1153.80	1315.55	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Apr 01

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1261.08	+0.17	+2.18	2.02	4.83	1303.63
FTSE Eurotop 100	2930.87	+0.37	+10.81	1.99	11.30	1054.84
FTSE Eurobloc 100	1032.64	+0.11	+1.16	1.96	1.37	1049.61
FTSE EuroMid	1217.54	-0.73	-8.89	2.91	5.97	1267.83
FTSE EuroMid Eurobloc	1195.68	+0.14	+1.65	2.55	3.32	1224.36
FTSE EuroMid Ex UK	1240.59	-0.53	-6.61	2.39	3.22	1266.84
FTSE Eurotop 300 Regions						
Eurobloc	1288.78	+0.09	+1.12	1.90	2.06	1318.51
UK	1235.77	+0.36	+4.41	2.46	9.80	1308.28
Europe Ex-Eurobloc	1243.67	+0.26	+3.23	2.15	7.59	1296.30
Europe Ex-UK	1275.87	+0.07	+0.89	1.79	2.05	1301.87
FTSE Eurotop Industry Sectors						
RESOURCES	1009.70	-1.84	-18.91	2.90	3.69	1060.38
Mining	950.28	+0.31	+2.90	3.84	21.37	994.22
Oil & Gas	974.15	-1.92	-19.10	2.87	2.82	1001.18
BASIC INDUSTRIES	1108.78	+1.01	+11.12	2.58	6.07	1138.82
Chemicals	842.86	+1.72	+14.28	2.55	2.47	860.36
Construction & Bld Matls	1034.39	-0.92	-9.61	2.18	1.13	1044.64
Forestry & Paper	965.80	+0.02	+0.20	4.01	38.68	1050.53
GENERAL INDUSTRIALS	1149.10	+0.31	+3.55	2.41	5.60	1179.42
Aerospace & Defence	780.00	+0.19	+1.45	2.50	3.94	794.63
Diversified Industrials	970.67	+1.13	+10.88	2.09	0.00	992.87
Electronic & Elect Equip	1068.71	-0.43	-4.58	1.81	9.86	1084.89
Engineering & Machinery	1047.77	+0.16	+1.71	4.46	5.83	1068.38
CYCLICAL CONS GOODS	1272.88	+0.49	+6.21	2.38	0.60	1308.53
Automobiles	927.10	+0.78	+7.18	2.45	0.53	936.23
Household Goods & Texts	1375.17	-0.78	-10.82	2.07	0.00	1386.91
NON-CYC CONS GOODS	1244.42	+0.50	+6.22	1.47	5.29	1284.23
Beverages	933.15	-1.44	-13.66	2.43	10.32	963.94
Food Producers & Process	888.34	-1.41	-12.66	1.72	1.41	900.15
Health	1074.23	-2.54	-27.97	1.00	0.00	1090.30
Packaging	778.59	-0.62	-4.82	1.16	0.00	779.56
Personal Care & Hse Prods	1109.89	+2.54	+27.52	0.91	1.94	1121.15
Pharmaceuticals	1169.73	+1.39	+16.01	1.17	4.40	1180.74
Tobacco	1324.22	-0.88	-11.80	3.77	25.75	1376.19
CYCLICAL SERVICES	1314.14	-0.14	-1.86	2.08	4.18	1356.92
Distributors	593.71	-0.14	-0.85	1.58	0.00	600.38
General Retailers	1089.47	+0.22	+2.32	2.28	1.27	1092.86
Leisure Entertmt & Hotels	975.72	-1.55	-15.38	2.16	8.72	998.59
Media & Photography	1236.65	-0.08	-0.96	1.81	6.39	1256.36
Rests, Pubs & Breweries	863.63	+1.00	+8.56	3.32	3.71	892.84
Support Services	1057.64	+0.37	+3.95	1.26	1.10	1069.34
Transport	936.50	-1.59	-15.60	2.64	5.18	989.47
NON-CYCLICAL SERVS	1362.43	+0.75	+10.10	1.32	0.45	1402.81
Food & Drug Retailers	1062.95	+0.23	+2.43	2.02	0.51	1079.71
Telecommunications Servs	1345.71	+0.85	+11.40	1.19	0.43	1366.21
UTILITIES	1398.74	+0.43	+5.94	3.14	6.20	1439.75
Electricity	1055.58	+0.16	+1.64	3.33	5.57	1095.87
Gas Distribution	1195.28	+1.03	+12.16	1.63	1.00	1316.90
Water	892.36	+1.08	+9.52	5.51	5.94	940.38
FINANCIALS	1339.69	+0.29	+3.89	2.18	6.64	1383.23
Banks	964.53	+0.66	+6.30	2.55	6.52	985.29
Insurance	980.90	-0.04	-0.44	1.41	1.78	994.52
Life Assurance	1097.58	-0.92	-10.16	1.83	4.55	1116.32
Investment Companies	1000.88	+0.17	+1.71	1.28	0.00	1024.93
Real Estate	729.68	-1.74	-12.93	3.43	1.67	743.39
Speciality & Other Fin	1023.71	-0.45	-4.62	2.21	2.94	1043.83
INFORMATION TECH	985.21	-0.03	-0.32	0.65	4.42	590.31
Information Tech Hardware	1091.57	+0.57	+6.21	0.54	6.24	1100.95
Software & Computer Serv	732.38	-2.10	-15.69	0.55	0.15	734.25

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CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Apr 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.4445	+0.0247	194 - 696	38.4710	38.0500	38.5931	-4.6	38.8636	-4.4	40.0474	-4.2
Denmark	(DKr)	7.4314	-0.0014	275 - 353	7.4358	7.4300	7.4340	-0.4	7.4386	-0.4	7.4590	-0.4
Greece	(Dr)	326.365	+0.0680	074 - 657	326.750	325.235	328.1758	-6.7	331.7220	-6.6	344.8007	-5.6
Hungary	(Forint)	253.765	-1.2240	545 - 986	254.980	253.310	256.5239	-13.0	261.6273	-12.7	284.4753	-12.1
Norway	(NKr)	8.3420	-0.0007	368 - 471	8.3485	8.3350	8.3703	-4.1	8.4176	-3.6	8.5695	-2.7
Poland	(Zloty)	4.3231	-0.0285	140 - 322	4.3687	4.3130	-	-	-	-	-	-
Romania	(Leu)	15960.13	-87.9500	395 - 631	-	-	-	-	-	-	-	-
Russia	(Rouble)	28.3173	+0.1687	136 - 209	28.4354	28.1149	-	-	-	-	-	-
Slovakia	(Koruna)	44.9839	+0.0026	141 - 536	45.0810	42.8274	-	-	-	-	-	-
Sweden	(SKr)	8.8846	-0.0020	771 - 920	8.8950	8.8695	8.8853	-0.1	8.8869	-0.1	8.8884	-0.2
Switzerland	(SFr)	1.5969	+0.0006	960 - 978	1.5995	1.5956	1.5946	1.7	1.5902	1.7	1.5730	1.5
UK	(£)	0.6726	-0.0010	722 - 729	0.6742	0.6703	0.6739	-2.3	0.6765	-2.3	0.6874	-2.2
Americas												
Argentina	(Peso)	1.0780	-0.0024	777 - 782	1.0797	1.0759	-	-	-	-	-	-
Brazil	(R$)	1.8609	-0.0041	496 - 721	-	-	-	-	-	-	-	-
Canada	(C$)	1.6157	-0.0109	147 - 168	1.6180	1.6145	1.6182	-1.9	1.6232	-1.9	1.6466	-1.9
Mexico	(New Peso)	10.3482	-0.0536	350 - 613	10.2972	10.2200	10.4382	-22.2	10.7952	-21.4	12.5938	-22.9
USA	($)	1.0788	-0.0024	785 - 790	1.0805	1.0767	1.0806	-2.0	1.0844	-2.1	1.1038	-2.3
Pacific/Middle East/Africa												
Australia	(A$)	1.7009	+0.0048	998 - 019	1.7027	1.6967	1.7035	-1.8	1.7090	-1.9	1.7351	-2.0
Hong Kong	(HK$)	8.3606	-0.0180	584 - 628	8.3679	8.3500	8.3797	-2.7	8.4206	-2.9	8.7111	-4.2
India	(Rs)	45.7714	-0.1018	581 - 847	45.7958	45.7059	46.0452	-7.2	46.7157	-8.3	50.1682	-9.6
Indonesia	(Rupiah)	9250.29	-74.6400	421 - 636	-	-	9465.66	-27.9	10084.90	-36.1	12113.75	-31.0
Israel	(Shk)	4.3517	-0.0035	455 - 579	4.3592	4.3441	-	-	-	-	-	-
Japan	(Y)	130.070	+0.8400	013 - 127	130.500	129.700	129.7747	2.7	129.1786	2.7	126.5726	2.7
Malaysia	(M$)	4.0993	-0.0091	229 - 253	4.1058	4.0915	-	-	-	-	-	-
New Zealand	(NZ$)	2.0207	+0.0070	189 - 225	2.0253	2.0180	2.0235	-1.7	2.0292	-1.7	2.0608	-2.0
Philippines	(Peso)	41.8018	-0.1201	301 - 731	42.0315	41.8500	42.1201	-9.1	42.7567	-9.1	45.7296	-9.4
Saudi Arabia	(SR)	4.0461	-0.0088	448 - 473	4.0524	4.0383	4.0572	-3.3	4.0811	-3.5	4.1930	-3.6
Singapore	(S$)	1.8679	-0.0009	663 - 694	1.8695	1.8654	1.8662	1.1	1.8635	0.9	1.8626	0.3
South Africa	(R)	6.6559	-0.0105	490 - 628	6.6692	6.6313	6.7203	-11.6	6.8474	-11.5	7.3583	-10.6
South Korea	(Won)	1321.36	-1.9700	073 - 199	1324.69	1320.50	-	-	-	-	-	-
Taiwan	(T$)	35.7390	-0.0633	768 - 012	35.8100	35.6700	35.9285	-6.4	36.2405	-5.6	37.3399	-4.5
Thailand	(Bt)	40.6150	-0.1068	516 - 783	40.7132	40.5410	40.6721	-1.7	40.8655	-2.5	42.2406	-4.0
UAE	(Dirham)	3.9622	-0.0088	611 - 633	3.9750	3.9340	3.9695	-2.2	3.9850	-2.3	4.0684	-2.6

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

BONDS

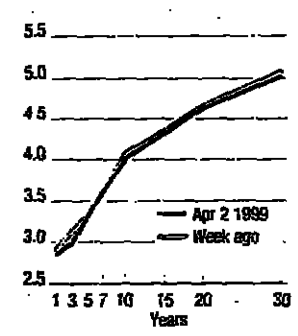
INTEREST RATE SWAPS

Apr 01	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.93	2.96	5.20	5.23	1.38	1.42	5.26	5.29	0.25	0.28
2 year	3.00	3.04	5.20	5.23	1.63	1.71	5.48	5.51	0.36	0.39
3 year	3.17	3.21	5.28	5.32	1.88	1.96	5.61	5.64	0.56	0.59
4 year	3.37	3.41	5.32	5.36	2.11	2.19	5.71	5.74	0.79	0.82
5 year	3.58	3.62	5.33	5.37	2.32	2.40	5.79	5.82	1.05	1.08
6 year	3.78	3.82	5.34	5.38	2.52	2.60	5.86	5.89	1.29	1.32
7 year	3.96	4.00	5.35	5.39	2.72	2.80	5.92	5.95	1.50	1.53
8 year	4.14	4.18	5.36	5.40	2.91	2.99	5.98	6.01	1.68	1.71
9 year	4.27	4.31	5.37	5.41	3.08	3.16	6.02	6.05	1.84	1.87
10 year	4.37	4.41	5.38	5.42	3.22	3.30	6.07	6.10	1.97	2.00
12 year	4.53	4.57	5.40	5.45	3.45	3.55	6.16	6.19	2.21	2.24
15 year	4.73	4.77	5.42	5.47	3.71	3.81	6.26	6.29	2.47	2.51
20 year	4.95	4.99	5.43	5.48	3.96	4.06	6.35	6.38	2.66	2.70
25 year	5.07	5.11	5.42	5.49	4.07	4.17	6.35	6.38	2.73	2.77
30 year	5.13	5.17	5.42	5.49	4.16	4.26	6.34	6.37	2.79	2.84

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

Euro bond yield curve

Per cent



Euro against the dollar

$ per €

Source: Interactive Data/FT Information

EURO-ZONE BONDS

Apr 01	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.659	2.72	-0.02	-0.62	-0.17
Denmark	01/02	4.750	AA+	104.054	3.16	-0.02	-0.30	+0.19
Sweden	02/01	5.000	AA+	103.443	3.04	-0.02	-0.33	+0.15
Greece	11/06	6.750	BBB	114.750	4.42	-0.01	-0.15	+0.81
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	108.281	4.32	-0.01	-0.18	+0.58
EIB	04/08	5.000	AAA	105.902	4.20	-0.01	-0.04	+0.30
Eurofima	12/09	5.625	AAA	109.136	4.53	-0.01	-0.13	+0.51
World Bank	04/05	7.125	AAA	117.771	3.77	-0.02	-0.17	+0.32
■ UTILITIES								
EDF	10/03	3.750	n/a	101.777	3.32	-0.01	-0.33	+0.18
TEPCO	02/03	4.750	AA	103.761	3.69	-0.02	-0.30	+0.55
Quebec Hydro	03/08	5.375	A+	105.375	4.63	-0.07	-0.16	+0.73
Norsk Hydro	10/99	7.250	A	101.816	3.41	+0.02	-0.17	+0.57
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	107.108	4.53	-0.01	-0.08	+0.45
OKB	09/07	5.750	AAA	110.806	4.20	-0.02	-0.12	+0.44
Credit Local	04/08	5.250	AA+	106.436	4.37	-0.10	-0.20	+0.47
Abbey Natl	01/09	5.000	AA-	101.404	4.81	-0.01	-0.08	+0.79
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.481	3.23	-0.02	-0.37	+0.34
McDonalds	03/08	5.125	AA	105.037	4.43	-0.01	-0.10	+0.53
Philip Morris	06/09	5.625	A	103.933	5.08	-0.01	-0.02	+1.18
BAT Int Fin	07/06	5.375	A-	103.375	4.81	-0.06	-0.19	+1.20
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.894	3.15	-0.03	-0.33	+0.26
Eurohypo AG	01/04	5.000	n/a	106.387	3.52	-0.03	-0.26	+0.22
Bayer Vereins	01/06	6.000	n/a	112.184	3.92	-0.04	-0.20	+0.31
Depfa	07/08	4.750	n/a	103.527	4.28	-0.06	-0.12	+0.38
■ HIGH YIELD								
Geberit	04/07	10.125	B+	115.500	6.00	+0.00	-2.70	+2.24
Colt Telecom	11/07	8.875	n/a	106.719	7.79	+0.01	-0.12	+4.03
Impress Metal	05/07	9.875	B	111.000	7.32	+0.00	-2.40	+3.56
Remy Cointreau	07/05	10.000	B+	105.250	6.83	-0.36	-1.88	+5.44

Standard & Poor's ratings. Source: Interactive Data/FT Information

COMPANY NOTICE

COMPANY ANNOUNCEMENT

I write to advise you that our Shareholders Britax International plc (Britax) and Koito Manufacturing Co Ltd (Koito) have finalised the sale and purchase of Britax Vega Ltd and from 1st April 1999 the Company will be renamed Koito Europe Ltd with Koito Manufacturing Co Ltd (Koito) taking 100% ownership.

The decision will allow both Britax and Koito the opportunity to concentrate their attention on core business activities in line with their strategic plans.

I would also like to take this opportunity to notify you of the completion of our Headlamp facility with a capital expenditure of £12.5M. The facility is 4,500 sq mts with capacity for 400,000 car sets per annum, with Start of Production in April 1999.

Tony Morgan
Managing Director
Koito Europe Ltd
1.4.99

NOTICE TO BONDHOLDERS OF

FORMOSA CHEMICAL & FIBRE CORPORATION ("FCFC")
(Incorporated in Taiwan, Republic of China)
U.S.$250,000,000
1.75 per cent Convertible Bonds Due 2001

This notice is to inform Bondholders that the Company, pursuant to the laws of R.O.C. and the terms and conditions in the Offering Circular and the Indenture, will close its stock transfer book and will suspend the Bondholders' Conversion Rights during the period specified below due to the Company's Annual General Meeting of Shareholder to be held on 12 May, 1999.

Formosa Chemical & Fibre Corporation:
On and from 13 April, 1999 to 12 May, 1999

Information regarding the exact Consolidation Dates, the applicable Conversion Prices, and the approximate dates for investors to receive common shares in exchange for Entitlement Certificates will be published in due course after they have been determined in the Shareholder Meetings.

Bondholders should also consult the terms and conditions in the Offering Circular and the Indenture for more details of the conversion.

FORMOSA CHEMICAL & FIBRE CORPORATION
CITIBANK BY: CITIBANK, N.A.
Principal Conversion Agent

Dated: April 5, 1999

GENCOR LIMITED
(Incorporated in the Republic of South Africa)
Company Registration No 01/01232/06
(formerly General Mining Union Corporation Limited)

PAYMENT OF COUPON NO 156
(Dividend No 146)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 9 April 1999 at the rate of 5.0510p the amount declared per share, against surrender of Coupon No 156.

Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In London At 1-3 Strand, London WC2N 5HA

In Paris At Credit du Nord

In Switzerland At Credit Suisse First Boston, Zurich; UBS AG, Zurich; or at any of their branches.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

	Pence
Amount of dividend	5.0510
Less United Kingdom Income Tax of 10%	0.5051
	4.5459

Listing forms can be obtained from the United Kingdom Office.

For and on behalf of
Gencor Limited
C Kennedy

United Kingdom Office:
Project Consultants Limited,
Walnut House
Walnut Gardens
Claydon, Banbury,
Oxon OX17 1NA

1 April 1999

CONTRACTS & TENDERS

CESP Companhia Energética de São Paulo Companhia Aberta - C.N.P.J. 60.933.603/0001-78

ANNOUNCEMENT

PUBLIC HEARING FOR THE PRIVATIZATION OF CESP COMPANHIA ENEGÉTICA DE SÃO PAULO COMPANHIA DE GERAÇÃO DE ENERGIA ELÉTRICA PARANAPANEMA

COMPANHIA DE GERAÇÃO DE ENERGIA ELÉTRICA TIÊTE

SÃO PAULO STATE GOVERNMENT, ACCORDING TO THE GUIDELINES OF ITS PRIVATIZATION PROGRAM COUNCIL, INTENDING TO SELL NA EQUITY STAKE OF CESP COMPANHIA ENERGÉTICA DE SÃO PAULO, COMPANHIA DE GERAÇAO DE ENERGIA PARANAPANEMA AND COMPANHIA DE GERAÇÃO DE ENERGIA ELÉTRICA TIÊTE, INFORM ALL PARTIES OF THE PUBLIC HEARING WHICH WILL TAKE PLACE ON APRIL 06, 1999 AT 2:30 PM AT BOLSA DE VALORES DE SÃO PAULO - BOVESPA, AT RUA ALVARES PENTEADO, 151 - GROUND FLOOR - SÃO PAULO - BRAZIL

CESP — SECRETARIA DE ESTADO DE ENERGIA — GOVERNO DO ESTADO DE SÃO PAULO

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
AIM	‡♣	152½xd	1.7	4.5	-	22.4	22.3	1537
Alvis	‡♣N	163	-1.5	Q4.85	ϕ	179.9	7.9	4377
Brit Aerospace	♦v	419½xd	2.4	6.5	3.9	7,408	8.3	1880
Warrants		122½	3.0	-	-	229.5	-	5074
7¾p Cv Pf		296¾	2.1	7.75	-	568.7	30.11	8174
Bridport	‡†v	70	—	5.1	2.1	18.2	7.12	1959
Cobham	‡♣v	937½	6.6	15.25	2.8	923.4	9.11	2827
Chemring	‡	141xd	-.7	8.8	2.6	33.4	15.3	2116
Ingalek	‡v	16xd	-5.9	0.9	1.4	6.88	22.2	1525
Rolls-Royce	♦v	265	2.9	6.55	2.6	3,986	26.10	3953
Smiths Inds.	♦†	894xd	1.3	20.3	2.5	2,789	29.3	4960
Ultra Electronics	‡v	411xd	0.2	8.7	2.8	257.1	22.3	1383
Vosper Thorn.	†	665	2.0	20.35	2.4	282.7	30.11	4874

AUTOMOBILES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Adwest	‡N	151	—	Q7.8	1.7	125.6	14.9	1523
Airflow Stream	‡	124	-3.5	8.0	1.4	18.5	26.10	1538
Automotive Precs	‡	19	—	1.4	1.1	4.98	21.9	4371
Avon Rubber	‡N	517½	-1.4	Q22.8	2.5	143.3	21.12	1718
Britax Intl	‡♦W	136xd	-2.2	Q4.19	2.4	407.6	7.3	1720
Bostrom	v	202½	-.5	7.6	ϕ	34.4	2.11	1438
First Technology	♦†	361½xd	1.4	5.3	3.4	211.6	1.2	2575
GKN	‡W	941xd	3.1	Q16.3	5.0	6,699	15.3	2896
Honda Motor JPY		2887¼xd	5.8	Q48%	15.7	28,138	28.3	1184
LucasVarity	‡♦Q	287	0.3	2.8	3.0	4,089	12.10	3282
Laird	‡W	229½xd	—	Q15.8	2.1	314.4	15.3	3123
Mayflower	♦v	175	-2.5	3.8	3.7	460.4	5.10	4308
Silver Shield		1½	—	—	—	8.85	—	1344
Syltone	‡†	96½	2.1	7.0	1.9	24.2	11.1	4155
Tod	‡	21½	4.9	-	-	14.8	-	5418
Torotrak	‡	128	-4	-	-	144.8	-	1186
Volkswagen DM		640⅝	4.4	Q343%	ϕ	11,271	6.98	1214
Volvo B SKr		216⅝	7.0	Q663%	3.3	4,998	23.4	4410
Wilshaw	‡	45¼	5.2	1.8	3.0	42.2	29.12	4919

BANKS

[illegible]

BEVERAGES

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS

[illegible]

CONSTRUCTION & BUILDING MATERIALS - Continued

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Wiggins Group	‡	16¼	12.0	-	-	114.5	-	4502
Wilson Bowden	†	685½	-1.2	16.6	4.4	842.8	12.10	4516
Wilson (Connolly)	‡v	148½	4.2	5.05	2.6	296.8	21.9	4518
Wimpey (G)	‡♣v	158½xd	6.0	6.0	2.9	580.1	1.3	4519
Wolseley	♦†v	468	-1.1	12.75	2.6	2,824	30.11	4528

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQUIPMENT

[illegible]

ENGINEERING & MACHINERY

[illegible]

ENGINEERING & MACHINERY - Continued

[illegible]

FOOD & DRUG RETAILERS

[illegible]

FOOD PRODUCERS & PROCESSORS

[illegible]

FOOD PRODUCERS & PROCESSORS - Continued

[illegible]

FORESTRY & PAPER

[illegible]

GAS DISTRIBUTION

[illegible]

GENERAL RETAILERS

[illegible]

GENERAL RETAILERS - Continued

[illegible]

HEALTH

[illegible]

HOUSEHOLD GOODS & TEXTILES

[illegible]

HOUSEHOLD GOODS & TEXTILES - Continued

[illegible]

INFORMATION TECHNOLOGY HARDWARE

[illegible]

INSURANCE

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INVESTMENT COMPANIES - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

AIM - Continued

WATER

AMERICANS

STEEL & OTHER METALS

OIL & GAS

LEISURE, ENTERTAINMENT & HOTELS

CANADIANS

REAL ESTATE - Continued

STEEL & OTHER METALS - Continued

SOUTH AFRICANS

SUPPORT SERVICES

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

LIFE ASSURANCE

PACKAGING

RESTAURANTS, PUBS & BREWERIES

MEDIA & PHOTOGRAPHY

PERSONAL CARE & HOUSEHOLD PRODUCTS

SOFTWARE & COMPUTER SERVICES

PHARMACEUTICALS

TELECOMMUNICATIONS SERVICES

TOBACCO

REAL ESTATE

TRANSPORT

SPECIALITY & OTHER FINANCE

MINING

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. m Interest higher than previous total. n Rights issue pending. o Earnings based on … s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

v Dividend includes amount payable after 6/4/99. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. … prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 2000. L Estimated annualised dividend. Cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1999-2000. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based … W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: No Additions: Deletions: Hewetson (Const), NIM Hldgs (FdPr), Sears (GenRet), Brazilian IT, Do Wris (InCo), Dragon Res (Mng), Copyright Promotions, Media Business (Med), Gander Hldgs (RealEst), NMS Petroleum, Xavier Computer (AIM).

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbloc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0906 003 or 0905 843 followed by the four-digit code listed after the share price. Calls are charged at 60p per minute at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0906 843 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

AIB Govett (Channel Islands) Limited (1000)F

Minerals, Oils Res. Shrs. Fd. Inc.

Fidelity Funds - Contd.

Lombard Odier Invest (a)

Schroder International Selection Fd - Contd.

Banque Ferrier Lullin (Lux) SA

Henderson Independent Fund

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (a)

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

Aberdeen International Ltd

FT MANAGED FUNDS SERVICE

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 1) 1 € = 13.7603 Sch

[illegible]

BELGIUM/LUX (Apr 1) 1 € = 40.3399 Frs.

[illegible]

FINLAND (Mar 31) 1 € = 5.94573 Mka

[illegible]

FRANCE (Apr 1) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Apr 1) 1 € = 1.95583 Dm.

[illegible]

IRELAND (Apr 1) 1 € = 0.78756 Punt

[illegible]

ITALY (Apr 1) 1 € = 1936.27000 Lire

[illegible]

NETHERLANDS (Apr 1) 1 € = 2.20371 Fl.

[illegible]

PORTUGAL (Apr 1) 1 € = 200.48200 Esc.

[illegible]

SPAIN (Mar 31) 1 € = 166.38600 Pts.

[illegible]

EUROPE (NON-EMU)

CZECH REP (Apr 2 / Koruna)

[illegible]

DENMARK (Mar 31 / Kr)

[illegible]

GREECE (Apr 2 / Drachma)

[illegible]

NORWAY (Mar 31 / Kroner)

[illegible]

POLAND (Apr 1 / Zloty)

[illegible]

SWEDEN (Apr 1 / Kronor)

[illegible]

SWITZERLAND (Apr 1 / Frs.)

[illegible]

TURKEY (Mar 26 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Apr 2 / Yen)

[illegible]

AUSTRALIA (Apr 1 / AustS)

[illegible]

HONG KONG (Apr 1 / H.K.$)

[illegible]

INDONESIA (Apr 1 / Rupiah)

[illegible]

MALAYSIA (Apr 2 / MYR)

[illegible]

NEW ZEALAND (Apr 1 / NZ $)

[illegible]

SINGAPORE (Apr 1 / S$)

[illegible]

SOUTH KOREA (Apr 2 / Won)

[illegible]

TAIWAN (Apr 2 / TW $)

[illegible]

THAILAND (Apr 2 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Apr 1 / Can $) 4 pm close

[illegible]

MONTREAL (Apr 1 / Can $) 4 pm close

[illegible]

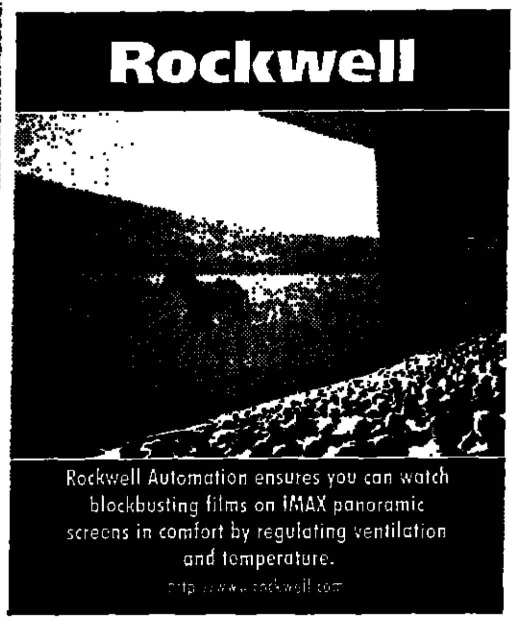
MEXICO (Mar 31 / Peso) Closed Apr 2

[illegible]

AFRICA

SOUTH AFRICA (Apr 1 / Rand)

[illegible]



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 2 1999 US Dollar Index	%chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY APRIL 1 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	216.91	8.8	200.51	165.33	231.55	227.48	5.2	3.32	218.01	201.39	164.72	232.19	227.48	219.96	163.86	210.32
Austria (21)	182.19	-1.1	168.42	138.86	171.61	171.61	7.6	2.06	182.61	168.69	137.97	171.61	171.61	253.73	165.27	222.16
Belgium (22)	364.76	-12.9	337.20	278.02	336.40	336.40	-5.2	2.01	365.61	337.74	276.24	336.40	336.40	446.95	310.29	310.29
Brazil (29)	137.59	3.5	127.19	104.87	146.87	436.87	47.8	5.59	137.59	127.10	103.96	146.54	436.87	269.34	89.32	262.76
Canada (113)	211.04	5.8	195.08	160.85	225.27	228.87	3.2	1.72	210.08	194.08	158.73	223.75	228.87	248.78	159.94	243.24
Denmark (34)	422.90	-15.4	390.92	322.32	451.42	396.23	-8.4	1.87	423.76	391.46	320.17	451.32	396.23	537.33	408.62	512.13
Finland (29)	690.66	20.0	638.44	526.40	798.90	798.90	30.7	1.47	692.23	639.48	523.02	798.90	798.90	692.23	338.49	375.16
France (74)	322.72	-1.4	298.31	245.96	307.82	307.82	7.4	1.88	323.45	298.80	244.39	307.82	307.82	354.45	253.86	300.18
Germany (55)	251.45	-10.5	232.44	191.65	237.01	237.01	-2.6	1.67	252.02	232.82	190.42	237.01	237.01	325.61	226.35	272.46
Greece (38)	394.44	10.5	365.37	293.01	410.37	833.78	19.4	1.33	363.77	336.05	274.85	387.43	787.04	454.89	211.47	-
Hong Kong, China (66)	323.02	5.1	298.60	246.20	344.81	321.41	5.1	3.53	323.04	298.43	244.08	344.05	321.41	341.98	195.64	341.98
Indonesia (24)	46.57	-7.1	43.05	35.50	49.71	244.99	0.2	1.19	46.30	42.77	34.98	49.31	244.99	64.82	19.04	54.99
Ireland (14)	536.60	-2.7	496.02	408.98	552.00	552.00	6.9	1.86	537.81	496.83	406.35	552.00	552.00	605.85	396.15	519.68
Italy (53)	171.23	-4.3	158.28	130.50	229.53	229.53	4.2	1.50	171.61	158.54	129.67	229.53	229.53	192.84	128.68	170.97
Japan (443)	113.02	12.5	104.47	86.14	120.84	86.14	20.2	0.86	113.68	105.02	85.89	121.07	85.89	113.68	76.83	93.02
Mexico (29)	1492.84	30.7	1379.97	1137.80	1593.84	15505.89	25.6	1.81	1491.27	1377.83	1126.75	1588.26	15505.86	1733.73	787.15	1652.11
Netherlands (28)	487.66	-7.9	450.79	371.68	454.89	454.89	0.2	2.06	488.77	451.53	369.30	454.89	454.89	582.73	394.92	495.51
New Zealand (16)	63.75	8.0	58.93	48.59	68.05	63.41	6.9	3.76	64.11	59.23	48.44	68.28	63.41	76.03	45.68	73.63
Norway (37)	240.13	9.4	221.97	183.02	256.33	252.04	11.0	1.95	240.64	222.30	181.82	256.29	252.04	357.71	181.86	330.32
Philippines (22)	90.93	0.6	84.06	69.30	97.06	175.60	0.3	0.84	90.87	83.95	68.68	96.76	175.60	101.69	42.48	97.14
Portugal (18)	228.88	-10.9	211.57	174.44	291.15	291.15	-3.1	1.13	229.40	211.92	173.33	291.15	291.15	299.39	194.13	-
Singapore (40)	221.85	2.6	205.07	169.08	236.81	177.02	7.7	1.48	222.23	205.30	167.91	236.68	177.02	232.72	102.45	221.01
South Africa (34)	205.76	11.6	190.20	156.82	219.64	277.48	17.1	3.47	205.89	190.20	155.58	219.28	277.48	346.20	151.55	313.06
Spain (30)	365.79	-8.5	338.14	278.80	427.42	427.42	-0.4	1.64	366.62	338.69	277.01	427.42	427.42	435.19	280.81	381.19
Sweden (43)	533.35	6.2	493.03	406.50	569.33	650.29	8.0	1.90	534.42	493.70	403.79	569.18	650.29	628.19	378.18	558.06
Switzerland (30)	387.60	-6.5	358.29	295.42	413.75	355.71	0.7	1.19	388.60	358.99	293.61	413.87	355.71	441.65	307.73	398.37
Thailand (25)	24.45	3.1	22.60	18.64	26.10	35.73	6.8	2.32	24.40	22.54	18.43	25.98	35.66	28.11	8.15	27.38
United Kingdom (201)	395.23	4.5	365.35	301.23	421.89	365.35	8.4	2.61	395.48	365.35	298.81	421.20	365.35	401.84	307.96	394.64
USA (606)	533.85	5.3	493.48	406.88	569.86	533.85	5.3	1.26	533.85	493.17	403.36	568.67	533.85	542.89	390.12	457.19
Americas (779)	474.43	5.5	438.56	361.60	506.43	402.42	5.5	1.29	474.36	438.21	358.41	505.21	402.42	481.42	347.59	414.21
Europe (723)	353.46	-3.1	326.74	269.40	377.30	340.48	4.5	2.02	353.91	326.94	267.40	376.93	340.33	386.24	282.63	352.06
Euroblock (342)	99.77	-5.8	92.23	76.04	101.79	101.79	-4.0	1.79	100.00	92.38	75.56	101.79	101.79	113.92	81.33	-
Nordic (143)	517.89	6.3	478.74	394.72	552.83	546.46	11.2	1.77	518.98	479.43	392.12	552.73	546.46	555.97	360.04	488.98
Pacific Basin (714)	120.20	11.2	111.11	91.61	128.31	94.21	17.0	1.32	120.83	111.62	91.29	128.69	94.00	120.83	82.88	104.41
Euro-Pacific (1437)	216.90	1.7	200.50	165.31	231.53	186.67	8.2	1.60	217.44	200.87	164.29	231.66	186.48	221.79	166.00	207.62
North America (721)	511.96	5.4	473.25	390.20	546.49	512.77	5.3	1.27	511.88	472.87	386.76	545.17	512.77	519.90	374.92	443.53
Europe Ex. UK (522)	321.83	-5.2	297.49	245.29	343.64	318.37	2.5	1.70	322.35	297.78	243.55	343.31	318.16	366.32	260.93	320.33
Europe Ex. Euroblock (381)	98.92	2.0	91.44	75.40	105.60	102.00	6.6	2.25	98.95	91.41	74.76	106.39	101.91	103.93	77.40	-
Europe Ex. UK Ex. Euroblock (180)	95.13	-3.2	87.94	72.51	101.55	96.72	2.8	1.44	95.08	87.84	71.84	101.27	96.44	109.21	75.16	-
Pacific Ex. Japan (271)	193.52	6.4	178.89	147.50	206.67	187.75	6.4	3.21	194.00	179.22	146.58	206.62	187.75	206.83	126.26	203.88
World Ex. Euroblock (1908)	110.78	8.7	102.39	84.42	118.23	110.45	7.4	1.47	110.84	102.40	83.76	118.05	110.40	111.15	82.09	-
World Ex. US (1642)	216.73	2.2	200.34	165.18	231.34	191.89	8.3	1.83	217.20	200.64	164.11	231.32	191.71	221.91	165.95	211.80
World Ex. UK (2049)	311.60	3.8	288.04	237.49	332.62	283.30	6.5	1.39	311.92	288.15	235.68	332.21	283.16	314.12	236.11	281.16
World Ex. Japan (1807)	421.56	2.9	389.68	321.30	449.99	418.28	5.2	1.60	421.73	389.59	318.64	449.16	418.20	427.98	320.58	388.97
The World Index (2250)	318.82	3.8	294.71	242.99	340.32	290.85	6.7	1.52	319.14	294.82	241.13	339.89	290.72	320.63	242.98	290.75

Emerging markets: IFC investable indices

Dollar terms

Mar 31 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	806.48	+0.1	+1.0
Brazil	266.34	+0.4	+4.1
Chile	521.99	+1.4	+15.7
Colombia[1]	372.47	-0.1	-15.2
Mexico	618.60	+0.9	+28.5
Peru[2]	143.06	+1.3	+6.5
Venezuela[3]	382.90	+1.3	-19.9
East Asia			
China[4]	24.10	+1.6	-7.9
India[5]	78.86	+1.7	+22.5
Indonesia[6]	22.75	+0.6	-6.0
Korea[5]	56.91	-0.3	+7.4
Malaysia	78.64	+1.1	-13.4
Pakistan[7]	106.67	+0.4	+12.8
Philippines	125.35	+0.5	+1.8
Sri Lanka[8]	64.07		-22.2
Taiwan, China[9]	125.73	-0.2	+8.6
Thailand	80.15	-2.1	-4.8
Europe			
Czech Rep	42.99	+0.8	-15.3
Greece	705.65	-3.9	+13.9
Hungary[11]	238.35	+3.8	-15.1
Poland[12]	510.02	-1.6	-2.6
Portugal	258.96	+0.4	-11.3
Russia	39.40	-1.6	+68.0
Slovakia	34.91	+0.6	-20.6
Turkey[14]	220.56	-0.1	+50.7
Mideast/Africa			
Egypt	71.41	+0.1	+10.8
Israel	122.58	+0.4	+19.7
Jordan	233.22	-0.8	+7.7
Morocco	156.66	-0.3	-7.1
S Africa[15]	142.27	-0.4	+13.6
Zimbabwe[16]	131.94	-2.5	+25.3
Regions			
Composite	205.51	-0.1	+10.0
Latin America	470.89	+0.7	+12.2
Asia	113.28		+5.9
EMEA	127.17	-0.8	+11.3
Europe	164.77	-1.3	+10.0
Eastn Europe	60.85	+0.3	+3.8
ME & Africa	89.48	-0.2	+12.8
Comp + Malay	205.50	-0.0	+8.4
Asia + Malay	110.18	+0.2	+2.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Mar 6 1992; (8)Sep 28 1992; (9)Jan 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

Prices supplied by Financial Times Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

حكمة دون الاوال

4 pm close April 1

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Financial Times Interactive

Yearly highs and lows for NYSE reflect the period from Jan 1 1999. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. Yld-yield. z-sales in full. # Dealings suspended.

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هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	9832.51	9786.16	9913.26	10006.78 (29/3)	9120.67 (22/1)	10006.78 (29/3/99)	41.22 (8/7/32)
Home Bonds	103.95	104.11	104.08	108.88 (13/1)	103.95 (1/4)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3309.15	3298.04	3367.80	3433.07 (18/3)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	295.01	292.28	293.93	311.91 (4/1)	285.44 (12/2)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's High (a) (a) Low (a) (a) (Theoretical) Day's High (a) (10002.34) Low (a) (9781.45) (Actual)

Standard and Poors	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1293.72	1286.37†	1300.75	1316.55 (18/3)	1212.19 (14/1)	1316.55 (18/3/99)	4.40 (1/6/32)
Industrials‡	1550.22	1549.70†	1568.49	1578.98 (18/3)	1467.72 (14/1)	1578.98 (18/3/99)	3.52 (30/6/32)
Financial‡	139.22	139.23†	140.10	145.47 (15/3)	123.72 (9/2)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	604.99	603.59	608.66	617.61 (18/3)	576.62 (9/2)	617.61 (18/3/99)	4.64 (25/4/42)
Amex Comp	711.30	710.30	711.83	721.65 (11/3)	683.81 (4/1)	753.87 (22/4/98)	534.28 (16/7/98)
NASDAQ Comp	2493.37	2461.76	2480.29	2510.09 (1/2)	2208.05 (4/1)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	398.74	397.63	398.78	433.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	123.38 (7/12/93)

RATIOS

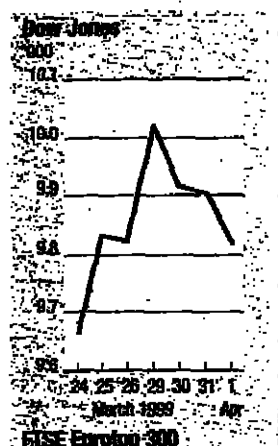
	Mar 26	Mar 19	Mar 12	Year ago
Dow Jones Ind. Div. Yield	1.61	1.60	1.60	1.30

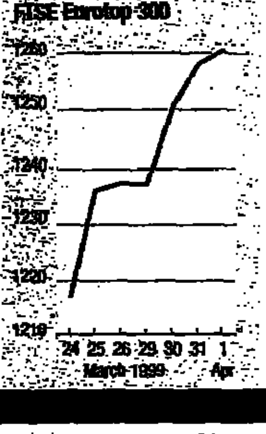
	Mar 24	Mar 17	Mar 10	Year ago
S & P Ind. Div. yield	1.13	1.11	1.12	1.32
S & P Ind. P/E ratio	39.72	40.83	40.71	30.37

US DATA

MARKET ACTIVITY; NYSE TRADING ACTIVITY; ACTIVE STOCKS; BIGGEST MOVERS; NASDAQ TRADING ACTIVITY

[illegible]





JAPAN

	Apr 2	Apr 1	Mar 31	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16290.19	16327.56	15836.59	16378.78	13232.74	38915.9	85.25

Day's high: 16453.50. Day's low: 16243.46.

TOKYO TRADING ACTIVITY — Volume : 614,500,000

[illegible]

FRANCE

	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4229.85	4197.88	4141.98	4303.92	3958.72	4388.48	984.81

Day's high: 4240.89. Day's low: 4150.79.

PARIS TRADING ACTIVITY — Volume : 433,979,489

[illegible]

GERMANY

	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	4914.59	4884.20	4856.84	5443.82	4678.72	6171.43	931.18

Day's high: 4914.71 Day's low: 4779.04.

FRANKFURT TRADING ACTIVITY — Volume : 7,261,419

[illegible]

UK

	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6330.0	6295.3	6284.1	6335.70	5770.20	6338.7	986.9

Day's high: 6369.1. Day's low: 6267.5.

LONDON TRADING ACTIVITY — Volume : 1,197,300,808

[illegible]

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	1308.50	1302.70	+9.40	1305.00	1291.50	90,949	363,067
Sep	1317.50	1315.20	+9.40	1317.50	1306.00	184	4,689
Nikkei 225							
Jun	15830.0	16330.0	+580.0	16470.0	15800.0	44,332	207,745
Sep	15870.0	16400.0	+640.0	16400.0	15760.0	173	3,985

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	4150.0	4234.0	+53.8	4246.5	4138.0	52,808	105,021
Apr	4210.0	4228.0	+30.0	4210.0	4210.0	2	91,220
DAX							
Jun	4840.0	4923.5	+58.0	4933.0	4778.0	40,213	292,595
Sep	4856.0	4956.5	+30.5	4930.0	4813.0	74	1,083

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	733.00	742.50	+4.75	747.00	733.00	13,724	109,865
May	741.50	742.50	+6.50	742.50	741.50	34	1,010
EUREX							
Jun	7025.0	7071.0	-10.0	7075.0	6987.0	11,264	101,024
Sep	7022.0	7089.0	-16.0	7057.0	7015.0	66	3,853

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 1

[illegible]

AMEX

4 pm close April 1

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 5

Lamb import report

The US International Trade Commission (ITC) is to submit its final report on the dispute between New Zealand and the US over lamb imports. The report follows complaints from the

US Sheep Industry Association that a flood of imported lamb is damaging the domestic industry. It also comes after the imposition in March of a 20 per cent tariff on all lamb imports in excess of the 1998 level.

Asean meeting

Yang Wenchang, Chinese vice-foreign minister, will be among officials attending the Association of Southeast Asian Nations (Asean) meeting in Kunming, in China's Yunnan province. Discussions are likely to cover Asian integration, regional security and trade.

Road to Damascus

Miguel Moratinos, the European Union's Middle East peace process envoy, visits Damascus where he will hold talks with Farouk al-Sharaa, the Syrian foreign minister, on the deadlock in discussions between Israel and Syria, and increased tension in South Lebanon.

Last call for mobile tax

Britain's tax on mobile telephones supplied by employers ends today. The tax, introduced in 1991 by Norman Lamont, then chancellor of the exchequer, was aimed at curbing what he felt was a "scourge of modern life."

Holidays

Australia, Hong Kong, New Zealand, South Korea, Taiwan, Benin, Botswana, Cameroon, Central African Republic, Congo, Gabon, Ghana, Israel, Ivory Coast, Kenya, Lebanon, Malawi, Namibia, Niger, Nigeria, Sierra Leone, South Africa, Tanzania, Zimbabwe, Albania, Austria, Belgium, Bosnia, Czech Republic, Denmark, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Luxembourg, Latvia, Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK.

The Kosovo crisis has brought home to Europeans the plight of refugees throughout the world

TUESDAY 6

Zhu goes to the US

Zhu Rongji, the Chinese prime minister, begins a week-long visit to the US, where he is expected to hold talks on bilateral relations, trade, and the Far Eastern economic downturn. Bill Clinton, the US president, visited China last year, but relations have soured since the release of the annual US report on global human rights, which criticised China's record. Zhu will meet Clinton at the White House on Thursday.

Lockerbie progress

Two Libyan suspects alleged to be involved in the 1988 bombing of Pan Am flight 103 over the Scottish town of Lockerbie are to be handed over for trial in the Netherlands.

Ibrahim verdict

A verdict is expected in the trial of Anwar Ibrahim, former Malaysian deputy prime minister, on charges relating to corruption, abuse of office and illegal sex. He has denied all the charges and says he is the victim of a political conspiracy.

Cocaine conference

Raymond Kendall, Interpol secretary-general, and police chiefs from about 80 countries will gather in Cartagena, Colombia, for an international meeting on the cocaine trade (to April 9).

Brown's budget

Budget measures including the abolition of advanced corporation tax and the introduction of a new 10p rate of income tax take effect in the UK. The starting rate of tax is now at its lowest rate for 37 years and has been described by Gordon Brown, chancellor of the exchequer, as a tax that "encourages work and makes work pay".

You only film twice

A dispute between Sony and MGM over a James Bond film will be heard in a Los Angeles court. In March, a federal judge refused to grant MGM a summary judgment blocking Sony's plan to remake the 1965 film *Thunderball*. However, MGM, which claims exclusive rights to the Bond titles, found wording in the judge's order that it claims upholds its position.

Holidays

Hong Kong, Thailand, Israel, Bosnia.

WEDNESDAY 7

Nordic co-operation

More than 100 politicians from Finland, Norway, Sweden and north-west Russia, with representatives of the region's indigenous populations, will attend the Nordic Council's first Barents parliamentary conference over three days in Alta, Norway. The focus will be on welfare development, particularly healthcare and social factors affecting the people who live in the Barents Sea region. Cross border co-operation on education and transport will also be discussed, as will gender equality.

Age related

In the international year of older persons, the theme for World Health Day is, appropriately enough, active ageing. According to the World Health Organisation, the number of over-60s in the world will rise from 580m now to 1bn by 2020, with 700m in developing countries. The WHO says staying active mentally and physically helps promote a healthy old age but argues that society needs to encourage the contribution of older people and provide appropriate health care and income security.

Eichel takes over

Hans Eichel steps down as prime minister of the German state of Hesse and takes over as the country's finance minister. He replaces Oskar Lafontaine, whose resignation followed tension with Chancellor Gerhard Schröder and frustration at his inability to push through reform in such areas as corporation tax. The post was covered in the interim by Werner Muller, economics minister.

FT Survey

Information Technology.

Holidays

Israel, Mozambique, Armenia.

THURSDAY 8

Buenos Aires bound

The Dalai Lama visits Argentina (to April 11). He later goes to Chile.

Holiday

Azerbaijan.

FRIDAY 9

Djibouti poll

A presidential election is expected to be held in Djibouti. President Hassan Gouled Aptidon of the authoritarian People's Rally for Progress (RPP), who was re-elected in 1993 with 60 per cent of the vote, announced at a special congress of the RPP in February that he would stand down after leading the tiny Horn of Africa state for 22 years. The congress named his chief of staff, Ismael Omar Guelleh, as the party's official candidate.

Crime convention

Eric Holder, deputy US attorney general, is among guests at an economic crime summit in Orlando, Florida (to April 12).

Holidays

Philippines, Cyprus, Eritrea, Ethiopia, Lebanon, Liberia, Tunisia, Greece.

SATURDAY 10

Gibraltar talks

Tony Blair, the prime minister, and Jose Maria Aznar, his Spanish counterpart, meet to discuss recent tensions over Gibraltar. The two met most recently at the Bonn European Union summit, but failed to make any progress on the latest row, sparked by a fishing dispute.

Unions meet

A joint Western European Union-European Union meeting is held in Bremen. Discussions are expected to focus on regional defence co-operation and pressure for the EU to use the WEU as its defence wing. Germany is the current holder of the presidency of the European Council.

Rugby

Five Nations Championship, Paris: France v Scotland.

Holiday

Eritrea.

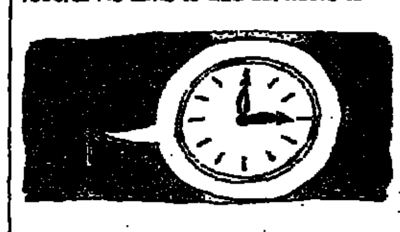
SUNDAY 11

Peronists choose

Argentina's ruling Peronists hold their primary election ahead of October's national presidential election.

A quick word

New Zealander Michael Morel begins his attempt at the world speaking record. He aims to add six hours to



the record that has stood since 1957, when US politician Strom Thurmond spoke against the civil rights bill for 24 hours 19 minutes. Morel's 30-hour talk is to cover 120 topics, from life in the Ice Age to the immaculate conception.

Rugby

Five Nations Championship, Wembley: Wales v England.

Holidays

Egypt, Eritrea, Ethiopia, Syria, Albania, Georgia, Macedonia.

Compiled by Roger Beale
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ECONOMIC DIARY

Other economic news

Monday: Another strong month of auto sales is expected in the US for March. Japan's leading indicator of economic activity is thought to have weakened in March.
Tuesday: Consumer confidence is predicted to have edged a little lower in France last month.
Wednesday: January's huge jump in US consumer credit is unlikely to have been repeated in February. The rate of decline in Japanese wholesale prices may have slowed in March. UK factory output probably fell in February.
Thursday: Employment is thought to have risen last month in Australia. The European Central Bank and the Bank of England pronounce on interest rates, with opinion divided as to whether to expect rate cuts. Unemployment should have edged lower in Germany last month.
Friday: The annual rate of US producer price inflation is thought to have picked up in March, although the core measure probably decelerated. *Employment in Canada is forecast to have risen again in March.*

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Feb overall PCE**		1.4%
Apr 5	Japan	Feb coincident index		50.0%
	Japan	Feb leading differential index		44.4%
	US	Mar NAPM (non-manufacturing)		57.0%
Tue	France	Mar household survey	-8	-7
Apr 6	Canada	Mar Foreign reserves	C$0.5bn	-C$1.1bn
	US	BTM-Schroders, March 3		1.8%
	US	Feb wholesale inventories		-0.2%
	US	Feb wholesale sales		-1.0%
	US	Feb leading indicators	0.2%	0.4%
	US	Redbook March 4		0.6%
Wed	UK	Feb industrial production*	-0.2%	-0.5%
Apr 7	UK	Feb industrial production**	-0.3%	-0.3%
	UK	Feb manufacturing output*	-0.3%	0.1%
	UK	Feb manufacturing output**	-1.5%	-0.9%
	UK	Mar CIPS services survey		48.4
	UK	Mar provisional M0*		0.1%
	UK	Mar provisional M0**		5.2%
	Poland	Feb current account balance	-$0.3bn	-$0.86bn
	Poland	Feb official forex reserves	$6.09bn	$27.09bn
	US	Feb consumer credit	$6.0bn	$14.7bn
	Japan	Mar overall WPI*		0.2%
	Japan	Feb overall WPI**		-3.8%
	Japan	Feb domestic WPI**		-2.1%
	Canada	Mar help wanted index†	149	148
Thu	Aust'lia	Mar unemployment rate	7.5%	7.4%
Apr 8	Denmark	Feb unemployment rate	6.0%	6.0%
	Germany	Mar unemployment rate†	-10,000	-6,000
	W German	Mar unemployment rate†	-5,000	-1,000
	E German	Mar unemployment rate†	-5,000	-4,000
	W German	Jan employment rate†	3,000	-7,000
	W German	Mar vacancies†		-4,000
	W German	Mar short time		9,000
	Germany	Feb manufacturing orders*	-0.9%	2.1%
	US	Initial claims March 4	290,000	
	Canada	Feb building permits*	2.3%	-2.9%
	US	Mar export price index	unch	-0.1%
	US	Mar import price index	0.1%	-0.1%
	Hungary	Feb current account balance	-$250m	-$171m
Fri	Japan	Feb machinery orders ex-elec/ship**		-22.9
Apr 9	US	Mar PPI	0.3%	-0.4%
	US	Mar PPI ex-food & energy	unch	unch
During the week...				
	Brazil	Mar exports		$3.27bn
	Brazil	Mar imports		$3.05bn
	UK	Mar Halifax prices*		-0.5%
	UK	Mar Halifax prices**		3.6%
	UK	Mar BRC shop prices*		0.01%
	UK	Mar BRC shop prices**		-0.28%

*m on m, **y on y, †seasonally adjusted

Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 04.04.99 / Firm Prices for Trading on 02.04.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.44	10.15	10.15	0.00
0100	8.50	18.03	18.35	0.81
0130	8.50	20.48	20.80	0.81
0200	8.50	20.48	20.80	0.81
0230	8.50	18.03	18.35	0.81
0300	8.50	20.00	20.32	0.81
0330	8.50	20.48	20.80	0.81
0400	8.50	20.48	20.80	0.81
0430	8.50	18.03	18.35	0.81
0500	8.50	18.00	18.35	0.81
0530	8.00	17.31	17.63	0.81
0600	8.00	17.31	17.63	0.81
0630	8.00	17.31	17.63	0.81
0700	8.00	17.31	17.63	0.81
0730	8.50	10.63	10.95	0.81
0800	8.50	9.52	9.52	0.00
0830	8.50	12.94	13.25	0.81
0900	8.50	11.00	11.00	0.00
0930	10.48	11.00	11.00	0.00
1000	10.65	17.06	17.38	0.81
1030	12.40	19.51	19.83	0.81
1100	12.40	24.72	25.03	0.81
1130	12.40	26.96	27.28	0.81
1200	17.00	26.96	27.28	0.81
1230	25.00	32.45	32.76	0.81
1300	25.00	32.45	32.76	0.81
1330	14.00	30.19	30.51	0.81
1400	10.65	26.96	27.28	0.81
1430	9.40	19.51	19.83	0.81
1500	8.50	19.51	19.83	0.81
1530	8.00	19.51	19.83	0.81
1600	8.00	19.51	19.83	0.81
1630	8.00	17.06	17.38	0.81
1700	8.00	10.65	10.65	0.00
1730	8.50	10.15	10.15	0.00
1800	8.50	11.00	11.00	0.00
1830	8.50	24.72	25.03	0.81
1900	8.50	34.44	34.75	0.81
1930	8.50	34.44	34.75	0.81
2000	9.50	31.04	31.36	0.81
2030	20.84	31.04	31.36	0.81
2100	25.00	26.82	27.14	0.81
2130	25.00	16.54	16.65	0.81
2200	20.00	18.60	18.91	0.81
2230	15.72	18.60	18.91	0.81
2300	12.40	18.60	18.91	0.81
2330	10.65	18.60	18.91	0.81
2400	8.50	16.15	16.46	0.81

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg [illegible] [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 05.04.99 / Firm Prices for Trading on 03.04.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	8.50	17.31	16.76	0.77
0100	8.50	17.31	16.76	0.77
0130	8.50	17.31	16.76	0.77
0200	8.50	17.31	16.76	0.77
0230	9.00	17.31	16.76	0.77
0300	9.00	28.78	28.23	0.77
0330	8.50	28.78	28.23	0.77
0400	8.50	17.31	16.76	0.77
0430	8.50	17.31	16.76	0.77
0500	8.50	17.31	16.76	0.77
0530	8.50	11.62	11.62	0.00
0600	8.50	13.04	13.04	0.00
0630	8.50	19.15	18.60	0.77
0700	8.50	19.31	18.76	0.77
0730	8.50	53.32	52.77	0.77
0800	8.50	53.32	52.77	0.77
0830	8.50	43.02	42.48	0.77
0900	8.50	43.04	42.50	0.77
0930	10.48	56.89	56.36	0.77
1000	10.48	56.90	56.37	0.77
1030	10.48	56.90	56.37	0.77
1100	10.48	56.91	56.37	0.77
1130	10.48	45.70	45.18	0.77
1200	10.48	45.69	45.16	0.77
1230	10.48	45.68	45.14	0.77
1300	14.00	45.68	45.12	0.77
1330	14.00	41.59	41.04	0.77
1400	14.00	38.95	38.40	0.77
1430	10.32	38.95	38.40	0.77
1500	9.48	38.95	38.40	0.77
1530	9.46	38.95	38.41	0.77
1600	9.46	65.75	65.21	0.77
1630	9.50	65.77	65.24	0.77
1700	9.46	39.02	38.50	0.77
1730	12.78	39.40	38.90	0.77
1800	12.78	40.00	39.67	0.77
1830	12.78	57.53	57.79	0.77
1900	10.10	64.54	64.88	0.77
1930	8.50	81.67	81.85	0.77
2000	10.10	56.85	55.57	0.77
2030	17.95	54.91	54.38	0.77
2100	20.00	38.67	38.13	0.77
2130	22.66	54.83	54.28	0.77
2200	17.95	22.90	22.35	0.77
2230	17.06	19.28	18.73	0.77
2300	17.20	20.16	19.61	0.77
2330	15.56	20.16	19.61	0.77
2400	10.10	20.16	19.61	0.77

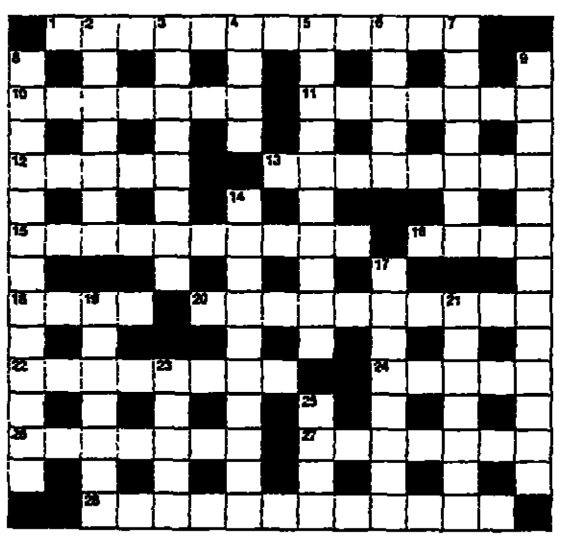
Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg [illegible] [illegible]

ACROSS

1 Game shooter said to be polluting tranquillity (7,5)
10 Former spouse quoted as being overwrought (7)
11 Graduate working for potter (7)
12 Match absorbs a writer (5)
13 High-fliers play the fool before the Sabbath (8)
15 The lad ends confusion sitting on the dealer's left (6,4)
16 The meadow's hot for her (4)
18 Ridicule the first person in French street (4)
20 Plunder left for killjoy (10)
22 Film star entertains a clergyman (8)
24 Taxidermist initially given rotting body part (5)
26 Caught after no ball when cutting (7)
27 Caring madly about husband's mortification (7)
28 Record the start of peasants' revolt? That's bold! (12)

DOWN

2 It produces fruit or vegetable (7)
3 Player arranged tune found in catalogue (8)
4 Uprising in Macedonia is swelling (4)
5 Question family relationship with oriental tart (7,3)
6 First eleven tremble having lost one match (5)
7 Back 'urdler following tip (7)
8 Hide garment and grub (13)
9 It provides shade for brood during ferry trip (5-8)
14 Thief pilfers hot stew (10)
17 One wanders round hospital for waste containers (8)
19 Surprise rattles Dicky (7)
21 Classical character, very small in the leg (7)
23 One breaking fast time, rested (5)
25 Injury creates endless panic (4)



Winner of Puzzle No.9,944: John O'Neill, Belfast

EASTER MONDAY PRIZE CROSSWORD
Set by ARMONIE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday April 15, marked Easter Monday Crossword on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 19. Please allow 28 days for delivery of prizes.

Name..

Address..

Solution 9,944

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 HEALER CHAPEL
 O L A   I U A
ARTLESS PROFESS
 S S T A E F E
FEATHERBED EARL
   A R A   R B
 BARON SIDESTEP
 R   E E U   A
TELEGRAM MADAM
 A M   E B E
SKIP BENEFICIAL
 A I R T O A E
DWARFED OUTMOST
 A E D   N P O
 YESMAN ADDSUP
```

JOTTER PAD

هكذا من الاصل